



Government of Bombay

REPORT
OF THE
SALES TAX ENQUIRY COMMITTEE
1957-58



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क्रयविक्रय मध्वानम् भक्तं च सपरिव्ययम् ।
योगक्षेमं च संप्रेक्ष्य वणिजो दापयेत्करान् ॥

मनुस्मृति ७।१२७

षोडशभागो मानव्याजी । विंशतिभागस्तुलामानम् ।
गण्यपण्यानामेकादशभागः ।



कौटिलीयं अर्थशास्त्रम्
(२ अधि. १६ अध्या. ३४ प्रक.)

सत्यमेव जयते

CONTENTS.

		PAGES.
Chapter I	... Introductory	1
Chapter II	... The Development of Sales Tax in Bombay State.	6
Chapter III	... Basis and Structure of Sales Tax	13
Chapter IV	... Exemptions from Sales Tax	30
Chapter V	... Registration, Licensing, Authorization and Recognition.	39
Chapter VI	... Commission Agents	47
Chapter VII	... Administration of Sales Tax	50
Chapter VIII	... Evasion and Corruption	77
Chapter IX	... Miscellaneous Recommendations	85
Appendix I	... Questionnaire issued by the Sales Tax Enquiry Committee.	91
Appendix II	... List of Associations and individuals who sent written replies to the questionnaire.	106
Appendix III	... List of Associations and individuals who were interviewed.	118
Appendix IV	... Meetings of the Sales Tax Enquiry Committee.	124
Appendix V	... Copy of confidential letter No. STA/1058/G-1 (SPL)/1046, dated 30th July 1953 from the Secretary, Sales Tax Enquiry Committee, to the Secretary to the Government of Bombay, Finance Department, Sachivalaya, Bombay.	125
Appendix VI	... Summary of conclusions and recommendations.	126

CHAPTER I.

INTRODUCTORY.

- 1.01 The Sales Tax Enquiry Committee was appointed by the Government of Bombay by Finance Department, Resolution No. STA/1057/G-1, dated 3rd December 1957 the main part of which is as follows :—

“On the formation of the new Bombay State as from November 1, 1956, the various Sales Tax Laws of the States which have, in whole or in part, come to form the present State of Bombay, have continued to remain in force in the respective areas of the present State of Bombay, except for routine changes by way of adaptation under section 120 of the States Reorganisation Act, 1956, and certain legislative amendments which have not altered the Laws except in minor details. Changes effected in rules and orders issued under these Laws have also had the same effect of not altering the *status quo* basically. The question of replacing the various systems of Sales Tax by a single uniform system applicable to the entire State has, however, been engaging the attention of Government since the Reorganisation took place. It was accordingly announced by the Governor of Bombay in his Address to the Joint Session of the Legislature in June 1957, that after the publication of the Report of the Finance Commission, Government would appoint a Committee to advise Government on the unification of these Laws.

2. Consequently, Government has decided to constitute the Committee with the following personnel :—

1. Shri Babubhai J. Patel, *Chairman*.
2. Shri Gopalrao Khedkar, M.P.
3. Shri Atmaram R. Bhat, M.L.C.
4. Shri Gopaldas P. Kapadia.
5. Shri Chandulal B. Satia.
6. Shri G. V. Puranik.
7. Shri Chittaranjan R. Raja.
8. Shri Govinddas Shroff.
9. Shri V. T. Dehejia, I.C.S.
10. Shri P. N. Damry, I.A.S

} *Members.*

Shri S. K. Gangopadhyay, I.A.S., Deputy Secretary, Finance Department, shall act as Secretary to the Committee.

3. The terms of reference of the Committee are as below :—

(i) To recommend a system of Sales Tax that can be applied uniformly to all the component units of the State of Bombay in replacement of the various Sales Tax Laws now in force, keeping in view the revenue requirements of the State for the due fulfilment of the Second and successive Five Year Plans ;

(ii) To examine the systems of administration of the Sales Tax Laws and to indicate in what respect they can be improved so as to simplify the procedure in assessment of Sales Tax, ensuring at the same time avoidance of evasion of tax.”

The Committee was authorised to consult the various interests in the State affected by the operation of the sales tax laws. A press note was also issued by Government announcing the appointment of the Committee and its terms of reference.

Government had originally fixed 16th April 1958 as the date for the submission of the Committee's report. But the task of eliciting and considering public opinion from all over the State compelled the extension of this date to 30th June, and, eventually, to 31st August 1958.

Procedure
of enquiry,
framing of
question-
naire.

At the first meeting of the Committee held on 4th December 1957, the **1.02** general procedure of enquiry was settled. It was decided that before proceeding to take oral evidence of the representatives of trade and industry and other interested persons, a questionnaire should be issued in order to elicit the views held by such interests on the relevant problems. A detailed questionnaire was accordingly drawn up at meetings of the Committee held from 16th December 1957 to 20th December 1957 and was issued on 31st December 1957; time was given up to 28th February 1958 to send replies to the questionnaire. The questionnaire was framed with a view to eliciting the opinion of the interests concerned on (a) the merits and demerits of different systems of Sales Tax, (b) the choice of a system of tax to be adopted for the whole of the new State of Bombay, (c) defects in the present administration of Sales Tax laws, and suggestions for improvement in it, (d) the place of, and the special treatment to be accorded to, Commission Agents in a system of Sales Tax, and (e) measures to combat evasion and corruption. To ensure, that the Committee should have the benefit of further suggestions which any one might desire to make on matters not covered by the questions framed, a request was made inviting such further suggestions as might be relevant to the terms of reference of the Committee. Brief notes indicating the broad features of Sales Tax laws in force in the different component parts of the State, were included in the questionnaire as an appendix. The questionnaire issued by the Committee is reproduced as Appendix I to this report.

Distribu-
tion of ques-
tionnaire.

9066 copies of the questionnaire, of which 4,850 were in English, 2,496 **1.03** were in Gujarati, 1,350 were in Marathi and 370 were in Hindi, were supplied to associations and individuals including associations of trade and industry in the State of Bombay, Bar Associations, associations of Sales Tax Practitioners, the Regional Council of the Institute of Chartered Accountants, the Reserve Bank of India, secretaries of political parties, the Indian Banks' Association, the Municipal Corporation of Greater Bombay, members of Parliament elected from constituencies in Bombay State, members of both Houses of the Bombay State Legislature, professors of Economics and Commerce, officers of Government who have dealt with various aspects of the financial administration of the State and other persons interested in Sales Tax matters. Simultaneously with the issue of the questionnaire, the Chairman of the Committee addressed a Press Conference on 1st January 1958 explaining the questionnaire and inviting the co-operation of the public in the work of the Committee. A press note was published in the leading newspapers of the State announcing the issue of the questionnaire and offering to supply copies of it to all

individuals and institutions interested in replying to it. Another press note was issued in the middle of February 1958 reminding the trading interests and the public generally to forward their replies by 28th February 1958. Thus the questionnaire received wide publicity; one leading financial journal even brought out a translation of the entire questionnaire, part by part, in successive issues of the journal.

- 1.04 The Committee received in all 511 replies from associations and individuals, out of which eight were from members of the State Legislature. Most of the replies were received on or before 28th February 1958, but replies received thereafter were also taken into consideration by the Committee so that no useful suggestion should be missed. All individuals and associations which expressed a desire to appear in person before the Committee were invited to do so. In addition, a number of individuals were specially invited to appear before the Committee to give it the benefit of their special knowledge of Sales Tax and allied matters. In this way, the Committee interviewed representatives of 201 associations and 33 individuals at various places as shown below :—

Dates of interview.	Place of interview.						Total.
	Poona.	Aurangabad.	Rajkot.	Ahmedabad.	Nagpur.	Bombay.	
	28th February 1958 to 30th March 1958.	31st March 1958 to 1st April 1958.	11th April 1958 to 12th April 1958.	13th April 1958 to 15th April 1958.	24th April 1958 to 25th April 1958.	21st April 1958 to 23rd April 1958 and 28th April 1958 to 6th May 1958.	
	(3 days).	(2 days).	(2 days).	(3 days).	(2 days).	(11 days).	(23 days).
Number of replies received from associations.	49	17	48	54	29	192	389
Number of associations called for interview.	30	10	31	39	19	121	250
Number of associations attended.	24	"	26	31	17	96	201
Number of replies received from individuals.	14	3	15	28	8	52	120
Number of individuals called for interview.	7	16	10	7	11	33	84
Number of individuals attended.	3	4	6	2	4	14	33
Total number of persons who appeared before the Committee on their own behalf or on behalf of Associations.	136	26	119	159	67	404	911

In addition to the above we have received two replies from areas outside the State, namely, Mysore and West Bengal.

(G.C.P.) L-A H 2487—1a

Besides associations and individuals who sent written replies to the Committee's questionnaire, a number of individuals and associations who had not replied to the questionnaire were also invited to meet the Committee.

The names of associations and individuals who sent written replies are given in Appendix II. The names of associations and individuals who appeared for interview are given in Appendix III.

Officials
and non-
officials
who gave
oral
evidence.

The Committee had the benefit of a discussion with Shri N. T. Mone, ^{1.05} I.C.S., Secretary, Finance Department, in regard to the revenue needs of the State. Shri V. L. Gidwani, I.C.S., Municipal Commissioner of Greater Bombay, who prior to his posting as Municipal Commissioner was in his official capacity closely associated with the evolution of the Sales Tax system in force in the pre-Reorganisation Bombay State area, also appeared before the Committee. Shri M. G. Sabnis, Additional Collector of Sales Tax, Bombay City Division, Enforcement Branch, was examined by the Committee on problems arising out of evasion of tax. The following non-official gentlemen also gave the Committee the benefit of their views in personal discussion :—

Shri Madan Gopal Agarwal, M.L.A.

Shri Anant Bhalerao, Aurangabad.

Shri H. B. Bhide, M.L.C.

Shri Bhavani Das Binani, Bombay.

Shri M. P. Chitale, Bombay.

Shri Maganbhai P. Desai, Ahmedabad.

Shri Tanubhai D. Desai, Bombay.

Shri Tulsidas S. Jadhav, Poona.

Shri Kunjbiharilal Jajodia, Wardha.

Shri S. M. Joshi, M.L.A.

Professor D. T. Lakadawala, Bombay.

Professor Mahajan, Aurangabad.

Shri Jasvantrai N. Mehta, M.L.A.

Shri Sanat P. Mehta, Bombay.

Shri Balasaheb Naik, Nagpur.

Shri S. L. Ogale, M.L.C.

Shri Jamnadas Parekh, Rajkot.

Shri Dadasaheb Parulekar, Bombay.

Shri Ramnik Patel, Bhavnagar.

Shri Baburao Patil, Digras.

Shri Kalyanrao Patil, Aurangabad.

Shri K. K. Shah, Bombay.

Shri Pratap Shah, Rajkot.

Pandit Shiv Sharma, Bombay.

Shri Vajubhai Shukla, Forbandar.

Shri Manubhai Thakkar, Rajkot.

Shri Vijaykumar Trivedi, Mehsana.

Shri V. G. Vora, M.L.A.

Professor S. G. Warty, M.L.A.

- 1.06 In all the Committee held 63 meetings, the particulars of which are shown in Appendix IV. Meetings
of the
Committee.
- 1.07 In view of the difficulties facing the cotton textile industry in the State for sometime past, we apprised Government, in advance of the submission of our report, of our recommendations in regard to exemption and rates of tax applicable to purchases of goods by the industry for use in the manufacture of goods for sale. A copy of letter No. STA/1058/G-1 (Spl.)/1046, dated 30th July 1958 addressed in this connection by the Secretary of the Committee to Government is reproduced as Appendix V. Interim
recommen-
dations
regarding
cotton
textile
industry.
- 1.08 A summary of our conclusions and our recommendations is given at Appendix VI.
- 1.09 We wish to take this opportunity to express our thanks to all individuals, associations, Chambers and other organisations who have assisted us by furnishing written replies and tendering oral evidence before us. Our special thanks are due to the Gokhale Institute of Politics and Economics, Poona for having conducted a survey of Sales Tax Administration in Bombay City, Maharashtra and the Marathwada and Vidarbha areas of Bombay State and for having furnished us a copy of the report of the survey. We also acknowledge with thanks the receipt of a note on Sales Taxation in Bombay State prepared by Prof. D. R. Gadgil, Director of the Institute. We are obliged to the officers of the Sales Tax Department of the Government of Bombay at Poona, Aurangabad, Rajkot, Ahmedabad and Nagpur for the arrangements they made for meetings of the Committee at these places. Our labours were considerably lightened by the co-operation we received throughout from the Sales Tax Department on which heavy burdens were placed by our frequent requests for information which were met with uniform promptness. Acknow-
ledgements.

We should also like to record our high appreciation of the efficient and hard work done by the Secretary of the Committee, Shri S. K. Gangopadhyay, and his staff. They took great pains to collect and supply, as far as possible, all information required by us. They have had to work for long and sometimes inconvenient hours. We are happy that they have carried out their task cheerfully.

CHAPTER II.

THE DEVELOPMENT OF SALES TAX IN BOMBAY STATE.

First Sales
Tax in
India.

Sales taxation was first introduced in India in the Province of Bombay, 2.01 where a tax was imposed on sales of tobacco within certain very limited urban and suburban areas by the Bombay Tobacco (Amendment) Act, 1938, which came into force on the 24th March 1938.

Bombay
Sales Tax
Act, 1946.

Sales
Tax
Enquiry
Committee,
1946.

In the Central Provinces a levy, again a selective one, on motor-spirit and lubricants alone was introduced in January 1939. In the Province of Bombay, Government took powers by the Bombay Sales Tax Act, 1939 to levy sales tax on motor-spirit and manufactured cloth, at rates not exceeding six and a quarter per cent. Eventually, however, only motor-spirit was notified for taxation under that Act. It was not until 1945, that an attempt to introduce a general sales tax was made in Bombay. The Bombay Sales Tax Act of 1946 enacted on 8th March 1946, provided for the levy of a tax at the last stage of sale of any goods. In this enactment the pattern of the system then prevailing in the Province of Bengal was adopted. The limit of annual turnover of sales attracting liability to register as a dealer was originally fixed at Rs. 10,000 per year. However, in response to a demand from the business community the limit was raised to Rs. 30,000 per year before the Act was brought into force. Government also announced "In the light of the public scrutiny to which the Bombay Sales Tax Act, 1946 has been subjected, Government proposes to revise it in as comprehensive a manner as possible and to submit the revised measure to the Legislature before the end of the current financial year. An expert unofficial Committee will be appointed to advise Government in this work of revision." Accordingly, a Committee was appointed on 12th October 1946 under the Chairmanship of Professor D. R. Gadgil. The Committee which submitted its report on 15th January 1947 recommended by a majority the substitution of a general turnover tax in place of the single-point tax which was in operation. It proposed a curtailment of the list of exemptions and made a number of suggestions for the improvement of the structure of the tax. Government accepted most of the recommendations but did not agree to a change in the basis of the tax or to a curtailment of the list of exemptions. In pursuance of these decisions the Bombay Sales Tax Act, 1946 was amended in 1947. Among other things this amendment lowered the limit of minimum turnover fixed for importers and manufacturers to Rs. 10,000 per year. At the same time as the limit for other categories of dealers was raised to Rs. 30,000 per year as stated above, a system of voluntary registration was introduced for the benefit of dealers whose turnover of sales had not yet reached the prescribed limit for registration, so as to enable them to make tax-free purchases of goods, for resale or for use in manufacture, against their registration certificates.

The rate of tax under the Bombay Sales Tax Act, 1946, was six pies per rupee of the sale price. The levy actually commenced on the first of October 1946 on which date there were 42 items on the list of goods exempted from sales tax. In due course this list was increased to 54 items. The exemption list largely comprised articles of staple diet 2.02

and other necessities of the common man and other items such as electrical energy, tobacco, foreign liquor and motor-spirits on which there was already some form of duty or tax. From its inception the Act provided for exemption from tax of the sale of goods to registered dealers for use in the manufacture of goods for sale. Protection for the established inter-State trade of the Province was also given by an exemption in favour of sales of goods shown to the satisfaction of the authorities to have been despatched outside the State.

- 2.03 On the 1st of April 1948 a tax of one anna in the rupee was levied, for Higher the first time, on 13 specially selected items which included motor-cars, rate of refrigerators, wireless equipment, perfumery, firearms, silk and jewellery. tax on These items were subject only to the special levy of one anna in the special rupee and not to the general levy of six pies in the rupee. This list of goods; special items was expanded to number thirty from the 1st of April 1949. tax on inter-State Sales. At the same time, the total exemption given to inter-State trade was modified by the imposition of a tax at half the ordinary rates on goods despatched outside the State. The levy at this reduced rate on inter-State trade earned for the Province approximately Rs. 4 crores during the year in which it was current, but with the coming into force of Article 286 of the Constitution, which severely restricted the power of the States to impose local taxes on inter-State trade, practically the whole of this revenue on such trade was lost to the State. The loss was to some extent lightened by an order of the President of India allowing the States to continue in certain circumstances the existing levies on inter-State trade, for one year. Side by side with the loss of revenue arising from these Constitutional restrictions severe loss of revenue was found to be occurring through the operation of rings of dealers who took advantage of the provision for voluntary registration, made a wrongful use of their registration certificates to cover tax-free purchases worth several crores of rupees by third parties, and absconded before their liabilities in respect of such goods could be enforced against them. To meet the shortfall of revenue occasioned by these causes and at the same time, to secure the additional revenue that the first Five-Year Plan called for, a radical change in the basis of the Sales Tax was effected on 1st November 1952 by the introduction of a system of multi-point taxation, Multi-point that is to say, a uniform levy at each stage of the sale of any goods, system of supplemented by a special tax at one anna in the rupee on selected goods, tax. in addition to the general levy. The limit of turn-over for registration in the case of persons dealing in general goods remained Rs. 30,000 per year. In the case of special goods it was Rs. 5,000. The list of exempted goods was more or less the same as that under the original single stage levy, but, with a few exceptions, the provisions for the tax-free purchase of raw materials and other goods required by manufacturers were dropped. Certain other concessions were given in respect of goods considered essential either by Parliament or by the State. In due course, however, in recognition of certain legitimate grievances of important trades and industries of hardships attributable to the multi-point system, further concessions and exemptions were given in respect of certain classes of sales, particularly those resulting in inter-State movement or foreign export. All these modifications, while bringing necessary relief to the trade none-the-less also served to complicate the multi-point system, of which the chief merit should be simplicity.

Two-point
system
of tax.

Despite the changes made in the multi-point system the trade continued to represent that its operation was in many instances injurious to legitimate interests and cut across established trade practices. Taking into account these representations and in view also of its growing revenue requirements, the Bombay State introduced from the 1st of April 1954 the system of tax which at present prevails in the area of the original State of Bombay and which has come to be commonly known as the "two-point" system. Under this system of tax the turnover limits attracting liability to tax and registration are Rs. 10,000 per year in the case of manufacturers and importers, and Rs. 25,000 in the case of all other dealers. The list of goods exempted under this system followed the pattern of the lists under the earlier enactments, generally speaking. The scheme of the Act is broadly that a Sales Tax is levied at the first stage of the sale of any goods and a General Sales Tax is levied in addition to the Sales Tax. A general Sales Tax is leviable in respect of each transaction but this levy is postponed, where the sale is to a wholesale dealer, to the stage when the last wholesaler resells them to a retailer. This effect is procured by a grant of licences to dealers whose turnover substantially consists of sales to other dealers and purchases are made free of General Sales Tax against such licences. In the case of the retailer from whom the General Sales Tax is collected by the licence-holder, he is notionally required to pay the General Sales Tax again on his resale of the goods to the retailer. In actual fact, however, by means of a system of set-off provided for under the Act he actually pays the General Sales Tax calculated on the margin between his cost and his selling prices. For the facility of inter-State and export traders, provision has also been made for the exemption from the Sales Tax, i.e., the first stage tax, of all goods purchased for despatch outside the State. Manufacturers are also empowered to set-off the tax paid on raw materials and the like against the tax payable on the finished goods. The tax is levied at only the last stage of sale on 18 classes of goods largely comprising basic requirements of industry and goods originally declared essential under Parliament's Essential Goods (Declaration and Regulation of Tax on Sale or Purchase) Act, 1952, and, also, on those goods which are declared under Section 14 of the Central Sales Tax Act, 1956 (with the exception of cotton yarn, which is free of tax) as essential to inter-State trade. In the case of four items, that is matches, books and periodicals, coal and betel-nut the tax is levied at the first stage alone. The rate of tax for the first stage levy fluctuates in accordance with the essentiality or otherwise of the goods concerned rising to 7 and 8 per cent. in the case of non-essential goods like expensive fabrics, motor-cars, fire-arms and the like. The rate of General Sales Tax in practically all cases is uniformly fixed at 3 per cent.

Revenue from Sales Tax. We refer elsewhere to the varying yields from the systems of tax existing in Bombay from 1946-47 to 1957-58 and it is only necessary to notice here that the highest yield from the single-point tax excluding the tax derived from inter-State transactions was Rs. 11.39 crores in 1951-52 and that from the multi-point system was Rs. 14.91 crores in 1953-54; whereas, the yield from the two-point system in 1956-57 was Rs. 24.96 crores and in 1957-58 was Rs. 26.99 crores (excluding receipts in the four Districts transferred to Mysore State).

- 2.06** In addition to the tax levied under the Bombay Sales Tax Act, 1946 and the Bombay Sales of Intoxicants Taxation Act, 1953. Under the latter the sales of liquor potable and non-potable and spirituous medicinal preparations specially notified for the purpose were subjected to certain higher rates of tax. The "two-point" system continues in force in the area of the pre-Reorganisation State of Bombay even after the Reorganisation of the State. Tax on motor-spirit and on intoxicants.

The Madhya Pradesh System

- 2.07** A general sales tax was introduced by the Central Provinces and Berar Sales Tax Act, 1947 at a rate of six pies in the rupee levied at the last stage of sale. On certain non-essential goods the incidence was one anna in the rupee. The original limits of turnover attracting liability to registration were Rs. 5,000 per year for importers, Rs. 10,000 for manufacturers and Rs. 25,000 for other dealers. The list of items exempted from taxation comprised, largely, the bare essentials of life as in the other areas. A provision for voluntary registration for dealers whose turnover did not exceed the prescribed limits was introduced in 1948. In 1949 a levy at half the regular rate was introduced in respect of goods transported to other States. The general rate was similarly reduced to three pies in the rupee on goods of special importance, namely, bullion and specie and vegetable oils (excepting hydrogenated products). This Act continues to apply to the Vidarbha area of the new Bombay State with one important change. The position originally obtaining under the Central Provinces Act was that where goods were purchased by registered dealers against their registration certificates free of tax and were resold outside the area of the Madhya Pradesh State the purchase price was added to the taxable turnover. Even after Reorganisation Nagpur remains an important centre for the distribution of goods to the Mahakoshal area of the new Madhya Pradesh State and so the original restriction was found to be onerous and detrimental to the interests of the dealers of Nagpur. This restriction was accordingly removed by Bombay Government after Reorganisation.

Raw cotton the sales of which were tax-free in Madhya Pradesh at the time of Reorganisation was brought into the list of taxed goods after Reorganisation.

Sales Tax in Kutch

- 2.08** The Central Provinces and Berar Sales Tax Act, 1947 was made applicable to the Kutch State, with certain modifications in 1952, but for various administrative reasons the law was not actually enforced until the 1st January 1955. The list of exempted goods was made considerably larger than that under the Madhya Pradesh law. The rate of tax in Kutch was also six pies in the rupee. The limit for registration was Rs. 30,000, instead of Rs. 25,000, which was the general limit in Madhya Pradesh. Agricultural commodities were totally exempted and certain categories of manufacturers partially exempted, under certain conditions. The sales of diesel oil and crude oil were similarly exempted conditionally. The Act remains in force in Kutch even after Reorganisation.

Sales Tax in Saurashtra

Sales Tax was introduced in Saurashtra on 19th January 1950, by the 2.09 Saurashtra Sales Tax Ordinance, 1950 which came into operation from 1st June 1950. This original measure was very restricted in application, and provided for a levy on only 13 selected commodities at a flat rate of six pies in the rupee levied at the last stage of sale. The limit of turnover attracting liability to register as a dealer was Rs. 10,000 per annum for manufacturers and Rs. 15,000 for all other dealers. The yield of tax from this very selective measure was naturally not high and did not exceed Rs. 16 lacs per year in the initial period. The Ordinance was accordingly amended on 1st December 1952 and the selective Sales Tax hitherto in force was converted into a general sales tax which followed the system prevalent under the original single-point law of Bombay State from 1946 to 1952. A number of items of a non-essential nature were selected for taxation at one anna in the rupee instead of half an anna. The list of items on which no tax was leviable was somewhat larger than that in the old Bombay State.

The introduction of the general sales tax by this amendment met with strong opposition from the trading community of Saurashtra and the resultant agitation led to considerable disturbance and dislocation of trade. On 9th January 1953 the Government of Saurashtra announced certain concessions having effect from the date of enforcement of the amending legislation. These concessions were—(1) the raising of the turnover limit for registration to Rs. 30,000 per year for dealers who were not manufacturers, processors or importers, (2) edible oils, medical instruments, appliances and accessories and shoes, *champal* and footwear made by *mochis* in Saurashtra were made free of the tax, and (3) the Special Tax at one anna in the rupee on expensive varieties of cloth and certain other articles was reduced to half an anna in the rupee. The amended law so modified continues in force in the Saurashtra area of the new Bombay State.

The Marathwada System

The Hyderabad State introduced a selective Sales Tax in 1947 under 2.10 the Luxury Sales Tax Act of that year, which provided for the taxing at six pies in the rupee of items regarded as articles of luxury such as wireless sets and watches. The limit of turnover attracting liability to pay the tax was Rs. 10,000 per year. This Act, of which the scope was very narrow, was replaced by the Hyderabad General Sales Tax Act, 1950, which originally followed the pattern of the then current Madras General Sales Tax Act. The Hyderabad Act levied a multi-point tax on goods generally; the incidence of this levy was originally two pies per rupee at each stage, and was successively changed to four pies and three pies per rupee. It was eventually fixed at 1½ per cent. of the sale price, which is the rate now applicable. The turnover limit attracting liability to registration is as low as Rs. 5,000 but the dealer becomes actually liable to pay the tax only when his turnover exceeds Rs. 7,500. In addition to the general rate certain goods considered to be of the nature of luxuries are taxed at the rate of six pies in the rupee. Certain items selected either

because of their essentiality or their comparatively luxurious nature, are taxed at only a single stage, either first or last or even intervening stages in some cases, at rates varying from $\frac{1}{4}$ per cent. to 13 per cent. depending on the nature of the goods. Exemptions are given in the case of necessities and sales of bullion and specie are taxed at only a quarter per cent at the first stage alone. Sales by hotels and restaurants were originally taxable at the full general rate but from 22nd June 1954 a reduction of 20 per cent. of the tax payable was allowed to those whose annual turnover of sales did not exceed Rs. 25,000. This Act continues in force in the Marathawada region of the new Bombay State.

Modifications effected on the Reorganisation of the State

- 2.11 While the Acts originally current in the various regions of the State continue in force after Reorganisation by virtue of the Bombay Adaptation of Laws (State and Concurrent Subjects) Order, 1956, the Government of Bombay has been at pains to maintain the *status quo* in respect of the exemptions hitherto enjoyed before Reorganisation by the inter-State trade between the various regions comprising the new Bombay State. This was done initially by executive instructions that transactions between the various regions should be deemed to be transactions in the course of inter-State trade. Subsequently, by amendment of the enactments concerned provision was made for the tax-free purchase of goods by dealers of one region from dealers of any other region of the present Bombay State provided that the goods were to be transported to a region under the Sales Tax laws of which the buying dealer held a registration.
- 2.12 With the introduction of the Central Sales Tax Act, 1956, it became necessary to provide for the taxation of goods resold within the various areas of the State by dealers who were registered under the Central Sales Tax Act, 1956, but not under the local sales tax laws. Such an amendment was made in the enactments applicable to the five regions. Simultaneously with the introduction of decimal coinage, the enactments were suitably amended.
- 2.13 On 13th December 1957 textiles, sugar and tobacco and its products ceased to be liable to Sales Tax by virtue of the Bombay Sales Tax Laws (Special Excise Exemptions) Act 1957 and became subject only to the levy of additional excise duty imposed under the Central enactment called the Additional Duties (Goods of Special Importance) Act 1957. This exemption did not, however, affect stocks of these commodities which were held in Bombay States on the midnight of 12th December 1957 and, therefore, the Special Exemptions Act provided for the continuance of the levy of Sales Tax in respect of such stocks alone, for a further period, which actually expired on 30th June 1958.
- 2.14 It would be seen from the above broad descriptions of various tax systems that the new State of Bombay has in operation in the various parts of its territories five different systems of Sales Tax. While the parallel operation of different systems might not affect adversely any individual dealer

covered by one or the other of them, it does present very serious administrative difficulties, not the least of which is the restriction on the interchangeability of the sales tax staff from a region where one law prevails to another region where a totally different law is current. That apart, the effective incidence in respect of goods is not necessarily the same in different regions of the State and to a certain extent diversion of trade from one region to another could take place although the prompt measures taken by Government to give the inter-regional trade the same protection as was previously enjoyed by it as inter-State trade has to a large extent checked this potential evil. It is also interesting to note that three of the systems existing provide for composition of the liability of the smaller tax-payer. Under the system in the original Bombay area, composition of General Sales Tax (the last stage tax) is allowed in the case of the dealers whose annual turnover of purchases does not exceed Rs. 90,000. A similar provision exists in Saurashtra though the limit there is Rs. 60,000. Under the law applicable to Marathwada the limit is as low as Rs. 15,000 and it has been provided that only those dealers can compound tax who are likely to undergo difficulty in the maintenance of accounts. We have observed that the systems providing for the composition of tax, however, well-intentioned, have not in practice afforded the relief that they were intended to give to the smaller dealer. This is partly because they are hedged with certain conditions, the fulfilment of which creates problems almost as difficult as those which the scheme in question originally set out to cure.

Exemptions The pattern of exemptions in all the five laws is roughly speaking the same, the bare necessities of life being given favourable treatment. At the other end of the scale, however, only the original Bombay State has attempted to tax items of a non-essential nature according to the degrees of their inessentiality. Thus while the total incidence of tax on a wireless receiving set in Nagpur or Rajkot is 7 per cent. of its price, it is 10 per cent. in Bombay. 2.15

The exemptions based on sentimental or purely ideological grounds are few and do not materially affect the revenues. The State of Saurashtra, more than any other, appears to have given special consideration to village industries while the Madhya Pradesh law gives powers to Government to select individual dealers or classes of dealers for special exemption from tax in respect of their purchases.

Administration. The administrative organisation under each of the systems is roughly the same, consisting of the assessing authority, the appellate authority, the revising authority and the Tribunal. In Vidarbha and Marathwada, the institution of Assistant Sales Tax Officers was created to assist the assessing authority and to exercise original powers of assessment in cases of small turnover. In addition, in Vidarbha, cases of very large turnover, exceeding Rs. 20 lacs per year, are assessable only by the Assistant Commissioner of Sales Tax and not the lower assessing authorities. In all areas, a class of inspectors to assist the assessing authorities exists. Only in Vidarbha, however, do they exercise statutory powers. 2.16

CHAPTER III.

BASIS AND STRUCTURE OF SALES TAX.

- 3.01** References to taxation of sales are not lacking in ancient history. An impost of this nature existed in ancient India as *Manusmruti* and the *Arthashastra* testify. We also have it on the authority of Tacitus that a tax of one per cent. was levied in ancient Rome on certain sales. But it was not till our own times that, impelled by the exigencies of two world wars, one country after another adopted and developed this form of taxation, which to-day figures prominently in the tax structures of no fewer than forty-five countries of the world.
- 3.02** One of the most striking features of the replies received to our Questionnaire and of the evidence heard by us has been the ready acknowledgment by every section of the trade in this State that sales taxation, in one form or the other, has come to stay. Indeed, this had already been recognised by the last Taxation Enquiry Commission appointed by the Government of India in 1953. A more recent appreciation of the importance of Sales Tax to the States has been made in 1957 by the Finance Commission which found that in 1956-57 the Sales Taxes of all the States constituted more than 14 per cent. of their total revenues and as much as nearly 36 per cent. of their tax receipts. It is in the nature of things that Bombay State, which has a large urban population with a comparatively higher standard of living, which is a major centre of foreign and inter-State trade and certain urban parts of which are highly industrialised, should in comparison with most States be found with a correspondingly larger share of its revenues made up of Sales Tax, as the figures given below in Table I show :—

TABLE I.
Sales Tax receipts of Bombay State.

(In Lakhs of Rupees.)

Year.	Total revenue.	Total tax revenue including share of Income Tax and Union Excise Duties.	Receipts from Sales Tax (excluding tax on Motor Spirit and Intoxicants).	Percentage of receipts from Sales Tax to total revenue.	Percentage of receipts from Sales Tax to total tax revenue.
1	2	3	4	5	6
1951-52	60.51	44.58	11.89	19.65	26.53
1952-53	59.79	44.67	10.65	17.81	23.84
1953-54	71.55	50.36	14.91	20.83	29.60
1954-55	77.26	57.31	20.48	26.50	35.73
1955-56	84.12	60.53	22.01	26.16	36.36

We believe, moreover, that the Sales Tax owes its special position in Bombay as, indeed, in the other States in India, not merely to the size of its yield but also to the expansiveness which its inherent elasticity and wide coverage imparts to the fiscal structure of the State. For, by comparatively simple processes of adjustment in rates and incidence of the sales tax, in respect of particular commodities, or even generally, or by modification of the structure of the tax itself, the State can with singular efficacy regulate its revenues within fairly fine limits. It can thus shape them to its varying short and long-term requirements, while at the same time protecting the legitimate interests of its trade and industry, with the welfare of which its own prosperity is so closely inter-linked. The power which the Sales Tax gives to the State thus to amplify its revenues at comparatively short notice has particular significance at the present juncture, when finance for the Second Five Year Plan has become a matter of some anxiety. The extent of flexibility which Bombay State's finances have enjoyed during the last decade because of sales taxation, can be judged from the figures given below in Table 2 :—

TABLE 2.

Year.	Receipts from Sales Tax (excluding tax on Motor-spirit and Intoxicants).	
	(In Crores of Rupees)	
1948-49	...	6.16
1949-50	...	12.37
1950-51	...	14.59
1951-52	...	11.89
1952-53	...	10.65
1953-54	...	14.91
1954-55	...	20.48
1955-56	...	22.01

During the same period, the total tax revenue of Bombay State increased from Rs. 36.89 crores in 1948-49 to Rs. 60.53 crores in 1955-56.

Position
after
Re-organi-
sation.

Even after the Reorganisation of the State on 1st November 1956, the Sales Tax continued to enjoy its unique position as the cornerstone of the State's finances. The receipts from Sales Tax (excluding tax on Motor-spirit and Intoxicants) during 1957-58 were Rs. 31.63 crores, being 33.98 per cent. of the tax revenues of the new Bombay State, and 25.18 per cent. of its total revenue, without taking into account, for convenience of uniformity of comparison, the share of the State in the proceeds of the additional Excise Duty imposed in the course of that year by the Government of India in lieu of State Sales Tax on textiles, sugar, tobacco and its products.

Require-
ments of
Second
Five Year
Plan.

With the Sales Tax occupying such a key position in the State's finances, **3.03** our terms of reference enjoin upon us, in recommending a system of Sales Tax, to keep in view the revenue requirements of the State for the due fulfilment of the Second and successive Five Year Plans. In this connection, we have had the advantage of a detailed discussion with the Secretary to the Government of Bombay, Finance Department, on various aspects

of the present and the probable future revenue position of this State, with special reference to the Plans. We have been informed that there is likely to be a short-fall of the tax revenue set down as the minimum requirement for the fulfilment of the Second Plan, even after taking full account of the additional taxation measures already undertaken as well as the likely revenues from the Central Sales Tax. We have, moreover, been informed of the appraisal by the National Development Council of the further tax effort, of the order of Rs. 60 crores, required by the States if even the target of Rs. 4,500 crores of Part A of the Plan is to be achieved. Of all the States the Bombay State's individual share of this additional tax effort, looking to the size of its Plan, will be the largest.

- 3.04 The principal sources of revenue, other than the Sales Tax, have for some time been the land and forest revenues, State excise, stamp duty, registration fees and the Motor Vehicles Tax. Out of these sources, the *abkari* revenues are fast dwindling, while none of the rest seems capable of augmentation or development to any appreciable extent in the near future beyond such adjustments as may be made to achieve uniformity in the new State. The State has also already exploited all sources of revenue available to the State except professions tax, which has been handed over to local bodies, and agricultural income tax, which presents little scope for an appreciable yield in view of reforms in land tenure. The State's share in the Central revenues, important as it is, is also not a source which it is within the State's power to develop and any variation in the allocation of Central revenues to the States generally depends upon considerations of all-India application and not on the particular needs of any individual State. Further, successive Finance Commissions have thought fit to reduce the share of this State in their schemes of distribution. In the result, of all the State taxes it is the Sales Tax to a large extent to which the Bombay State will have to look for its expanding financial commitments and future needs. This is not to say, however, that we were weighed down with this view-point to the exclusion of all others in our search for the most suitable system of Sales Tax; for we had ever-present in our minds the need to evolve a system which, while producing the requisite revenue, should at the same time eschew all avoidable complications and be fairly easy for the trader to comprehend and comply with, and should not have an adverse effect on trade and industry. To this end we subjected to critical examination all the systems existing in the five component regions of the State and any other viable system suggested to us by the representatives of industry and trade and other sections of the public: we should, indeed, like to place on record at this stage our appreciation of the very helpful, constructive and analytical response which our Questionnaire has evoked from various quarters.

- 3.05 A very large number of the representations made to us by individuals and associations of trade and industry, particularly by the latter, have advocated that in respect of most commodities the levy should be at the first stage and in respect of the remainder, where necessary, at the last stage. Those advocating a levy purely at the last stage have been fewer, while the number of representations advocating a pure multi-point levy has been even smaller. The number of traders and trade associations
- Suggestions re :
different
systems of
Sales Tax.

supporting a two-point levy of the pattern of the system current in the old Bombay State has been quite negligible. Somewhat more support for this system has been forthcoming from persons not belonging to the trade.

During examination some of the parties originally advocating a levy **3.06** purely at the last stage found that they could not meet all the arguments, such as considerations of likely shortfall in the revenue, which could be urged against such a system. On reconsideration, they favoured a system of tax at the first stage either on all goods or on the majority of the goods, the remainder being taxed at the last stage alone. Thus, the overwhelming demand before the Committee was for a single stage levy and that, too, as far as possible, on the first only of the chain of transactions in any goods.

**Additional
Central
Excise
Duty.** A fairly large number of the representations received by us favoured **3.07** the substitution of excise duty for the sales tax, though opinions differed as to the commodities which should be selected for the purpose. We examined the suggestion in all its aspects. Additional excise was substituted for sales tax on sugar, cloth and tobacco and its products, on 14th December 1957 and it is evident that the reaction of the traders concerned, including the manufacturers who actually pay this duty, is one of great relief. The attractions of this system are obvious: it relieves all dealers, including the manufacturers themselves, of the liability to submit returns of sales and to maintain a number of records or make use of and, in turn, receive a number of certificates and to undergo annually the rigours of assessment, all of which the Sales Tax systems have made necessary. Moreover, "customer resistance", frequently encountered when the seller shows the sales tax separately in his sale bill, disappears, while inter-State traders and exporters are relieved of the possible complications resulting from their selling goods to comparatively unknown dealers of other States against certificates of which the validity may for various reasons be dubious. The scope for unfair advantage which any system of Sales Tax to a greater or less extent affords to the less honest dealer is also considerably minimised.

On the other side of the picture, however, the following considerations **3.08** have been placed before us: it does not in the first place lie within the power of any single State to cause any particular commodity to be transferred to the Excise List. The concurrence of the other States, acceptance by the Government of India and legislation by Parliament would be necessary. Viewed, therefore, as a solution of the task before us, which is to find a system which can be applied to all the component areas of the State within a reasonably short period of time, this proposal presents obvious difficulties. Furthermore, not all goods are susceptible of the levy of excise duty. Thus, even if all the excisable goods were removed from the purview of Sales Tax, some form of Sales Tax system would still have to continue in respect of the remaining goods; the object of taking as many dealers as possible out of the scope of the Sales Tax system would, therefore, not be served in a large number of cases where the goods dealt in consisted both of the excisable as well as the non-excisable category. For that reason, the proposal does not present us with even a complete solution. But by far the most important consideration is that the ceding to the jurisdiction of the Centre of a large and important body of goods deprives the State's finances of

that capacity to expand which we have shown above to be of great importance at the present juncture. Obviously, the yield in respect of any goods transferred to the Excise List could be regulated not by any State, unilaterally, but by the Centre alone and any increase or decrease so brought about would affect consumers all over the country uniformly. The difficulties of the other States in this respect would inevitably have to be taken into account by the Centre. With a Sales Tax, on the other hand, where any State felt that, because of a peculiar pattern of consumption or a higher standard of living within its own boundaries, the rate of tax in respect of any particular goods could be raised or should be lowered, it could do either without repercussions on the consumers of other States. Furthermore, as we have noticed above, the distribution of the proceeds from the additional Central Excise Duty must naturally be affected by factors only of All-India application and depend on the views of arbiters who may or may not take into account any particular State's problems, however genuine. Moreover, in the present state of statistics in this country, there seems to be no possibility of establishing with any degree of realism State-wise data of the consumption of any particular goods which could serve as the basis for an allocation of Central revenues as compensation for the withdrawal of the Sales Tax on those goods. We have elsewhere suggested the organisation of machinery for securing the relevant statistics in this field. Such machinery, even if set up with the least possible delay, would require some time to produce adequate data: figures of consumption covering only a short period or collected by random sampling, for example, or worked out on any *a priori* basis might only prove misleading and would not serve a useful purpose.

In these circumstances, whenever there is a specific proposal from the Central Government for levying an additional excise duty in lieu of sales tax on certain excisable commodities, the Government of Bombay should examine such proposal dispassionately. In this examination it should take into account not only the reaction of such a proposal on the revenues of the State but also the advantage that would accrue in the shape of increased facilities to trade and industry and also to the economy of the country as a whole. If, on such consideration, it is found that the levy of an additional excise duty on certain items is desirable, we would recommend to the Bombay Government to agree to such an additional levy.

- 3.09 Every system has its own advantages and disadvantages and no single system by itself seems to us to give promise of the complete fulfilment of the task before us. Therefore, after weighing the advantages and disadvantages of the various systems considered by us, we have come to the conclusion that a composite system on the pattern outlined below would be the one most convenient from the point of view of the trade interests as well as from the point of view of simplification, uniformity of application and incidence in all areas and the revenue requirements of the State. In coming to this conclusion we have borne in mind that our country has not yet reached from the point of view of business organisation, that advanced stage achieved by the countries of the Western world. We are entering an industrial age but as yet we are only on its

Choice of system
of Sales Tax—the
Composite System.

threshold. The existence of widespread illiteracy, particularly in the rural areas, is also a factor which seriously inhibits the gearing of old fashioned methods of accounting to a complex tax structure. The business community is not yet equipped to comply with the requirements of a complex tax system. Taking all these factors into account and also keeping in view the demand of the interests concerned, whose co-operation for the smooth administration of the tax system is most essential, the Committee in formulating its proposals for a composite system has suggested that 69 articles or classes of goods, as shown in List I appearing at the end of this Chapter, be taxed at the first stage of sale alone, all subsequent transactions being exempted from the tax on the furnishing of suitable certificates, and that 20 items as shown in List II, also appearing at the end of this Chapter, should be taxed at the last stage alone, so that in all 89 articles or classes of goods, are subjected to a levy at a single stage. In this context, where goods pass through a chain of dealers including one or more licensed dealers and a registered dealer, the last stage should be taken to mean the sale by the last of such licensed dealers. The first 13 items in List III appearing at the end of this Chapter, and all other goods are recommended by us for taxation in the following manner :--

(i) in respect of goods not required by manufacturers and processors there will be three types of taxes the "Sales Tax", which will be paid at the first stage, that is by the manufacturer or other producer and importer, a "General Sales Tax" which will be paid at the last wholesale or semi-wholesale stage, and the "Retailers' Turnover Tax" which will be paid on the turnover of his sales by a retailer who has purchased the goods from the manufacturer, importer, wholesaler or semi-wholesaler, as the case may be ;

(ii) goods required by manufacturers as raw and processing or packing materials other than basic raw materials mentioned in List II, should be purchaseable free of all taxes against a "Recognition" granted to manufacturers and processors.

The "General Sales Tax" will be uniformly at a flat rate of 2 per cent. 3.10
but the "Sales Tax" will vary from 3 per cent. to 8 per cent. depending on the comparative more or less essential nature of the goods. The "Retailers' Turnover Tax" which the retailer will pay on his total turnover of sales of taxable goods will be 25 per cent. of the retail sale price whether he sells the goods to another registered or unregistered dealer or to a consumer. Where a licensed dealer sells goods directly to a consumer the "General Sales Tax" payable by him will remain only 2 per cent.

A brief explanation of the above proposals will not be out of place. 3.11
In selecting items for taxation at the first point alone we have given due consideration to factors such as the comparatively smaller number of stages through which these goods pass to the ultimate consumer, the comparatively high level of organisation of their products and the ease with which both producer and product can be identified and also the fact that they are distributed through known and well established

channels. Other tests applied by us in selecting the 69 items for first point taxation alone were that the goods should not be too readily or cheaply transportable or should be only in highly specialised demand.

3.12 The 20 items in List II principally constitute the major raw materials of industry. We have suggested that this category of goods which includes fuel and lubricants besides raw materials and processing and packing materials should be liable to tax at a rate so low as to be easily absorbed, uncompensated for, in the cost of manufacture without adverse effect on the competitive position of the finished product in the market inside the State or in inter-State or the export trade. We have thus met the demand of manufacturers and processors, that they should as far as possible be relieved of the labour of maintaining records and complying with other formalities necessarily attendant on a system providing for setting off the tax on their basic requirements. Other items appearing in List II for taxation at the last stage alone are goods on which a concessional rate of tax has been suggested, and also a few goods which so far as some of the areas now comprising the new Bombay State are concerned would be bearing taxation for the first time.

3.13 As for the goods listed in List III, the result of our recommendations will be that a part of the tax thereon, which will in a number of cases be the major part, will be recovered at the very first sale in the chain of transactions in such goods and almost all the rest at the stage when the goods are sold to smaller dealers who in their turn will pay the "Retailers' Turnover Tax". We are proposing that dealers who have an annual turnover exceeding Rs. 50,000 of sales to registered dealers or in the course of inter-State trade or export should be allowed to purchase goods for re-sale free of the "General Sales Tax" against licences which will be granted to them for this purpose. Accordingly, the "General Sale Tax" will be payable by the last licensed dealer who re-sells the goods to non-licensed dealers, including registered dealers, or to consumers. In fixing the limit of annual turnover for licensing at the figure of Rs. 50,000 we feel we shall have covered the whole class of wholesalers and other distributing agents and most semi-wholesalers. In effect, therefore, the retailer will be left to pay only the "Retailers' Turnover Tax" which he will calculate by a simple application to his gross turnover of sales of a flat rate of 25 per cent. of the aggregate of his sale prices. The comparatively small sum of tax thus leviable from a retailer will be readily absorbed in his profit and the "consumer resistance", to which the business of a retailer is particularly prone when the tax is to be collected separately at the last stage, will disappear almost entirely. In adopting the rate of 25 per cent. for the "Retailers' Turnover Tax" we have assumed that the retailer's margin is ordinarily about 10 per cent. At the same time we have taken note of the fact that many retailers occasionally re-sell a small quantity of goods originally purchased by them from persons other than registered dealers. The present system prevalent in the pre-Reorganisation Bombay State area provides for the taxation of such goods by means of purchase tax. While we have suggested the retention of the purchase tax in the case of all dealers purchasing goods from persons other than registered dealers, we feel that the smaller dealers of the category of retailer whose turnover of purchases

from persons other than registered dealers does not exceed Rs. 2,500 per year should be relieved of the burden of calculating such purchase tax separately. We have, therefore, fixed the flat rate of "Retailers' Turn-over Tax" not at 2 per cent., which would be the correct percentage on a 10 per cent. margin but at 25 per cent. in the expectation that the additional 05 per cent. of the sale price will cover the probable purchase tax liabilities of this class of dealers. The net result of our suggestions so far as the small retailer of this category is concerned is virtually a composition of his tax liability on the basis of his actual turnover. We consider this more advantageous than the present composition systems.

Relief
to small
dealers.

By way of further relief to the smaller dealer we also recommend 3.14 that under the Composite system processes like the bulk blending of tea, the preparation of foodstuffs other than those sold in sealed containers or bottles, ice and aerated waters, the processing of pure silk cloth, the preparation of 'pan', the colouring, boiling or roasting of betel nut and the colouring of cardamom, the roasting of coffee seeds, ginning and pressing of cotton, refining of oil and the decortication of groundnut and cashew nuts should not be treated, as they are treated to-day, as a process or manufacture. Apart from the other beneficial consequences of this suggestion, the limit of turnover for liability to tax of those engaged in these minor processes will be that prescribed for the ordinary dealer who is not a processor or manufacturer. As a further measure of relief we are also suggesting that persons who deal almost exclusively in non-taxable goods will not be liable for registration even if their annual turnover otherwise attracts liability to registration, unless their annual turnover of sales or purchases of taxable goods exceeds Rs. 2,500. By this suggestion we are meeting the plea of many dealers in cloth, foodgrains and other commodities exempt from Sales Tax that they should not be forced to register under the Sales Tax laws simply because they have a turnover of no great significance of sales of such items as redundant or waste packing materials.

Purchase
Tax.

Complications are commonly alleged to have followed in the train of 3.15 the provisions made for purchase tax in the Bombay law. We have contrived that as far as possible the system we suggest should operate without this tax. We find, however, that in any system which incorporates a levy wholly or partially at the first stage, purchase tax must be provided for as a safeguard against avoidance of tax on considerable scale though not amounting to evasion. Manufacturers buying materials from primary producers like agriculturists, will be required to pay the purchase tax on such purchases; otherwise, the legitimate established intermediaries between the primary producer and the manufacturer would be ousted. We therefore recommend the imposition of a purchase tax in respect of the purchases of goods from persons other than registered dealers, in the following circumstances :—

(i) in the case of goods on which tax is leviable only at the first stage, a licensed dealer should pay the purchase tax on such goods purchased for resale or consumption. An unlicensed registered dealer buying such goods for consumption alone should also pay the purchase tax. A pure retailer, who will normally hold no licence, should on the same class of purchases pay the purchase tax only if the annual turnover of such purchases exceeds Rs. 2,500 ;

(ii) in the case of goods taxable only at the last stage, a licensed dealer buying the goods for consumption alone, and not for resale, should pay the purchase tax. On the same type of purchases a registered dealer who is a manufacturer buying the goods for consumption or a pure retailer whose turnover of such purchases exceeds Rs. 2,500, should pay the purchase tax, while other unlicensed retailers will not;

(iii) in the case of the goods in List III, where a licensed dealer buys goods from a person other than a registered dealer for use in manufacture, he will pay purchase tax equal to the sum of the "sales tax" and the "general sales tax"; a licensed dealer who buys such goods for resale will, however, pay purchase tax equal only to the "sales tax".

A registered dealer who is a manufacturer, or is a pure retailer whose turnover of such purchases exceeds Rs. 2,500 per year, will pay purchase tax equal to the sum of the sales tax and the general sales tax. Any other registered dealer who is a pure retailer, will not pay the purchase tax.

It is of course the intention that where purchase tax is leviable on a transaction, there should be no question of the levy of any other tax on the same transaction or any tax on the resale of the same goods by the person liable to pay the purchase tax. It will also be noticed that we have avoided—and advisedly so—the complications arising out of the existing provisions of the Bombay Sales Tax Act, 1953, for the election to pay the sales tax instead of purchase tax.

- 3.16 We have taken due note of the situation created by the fact that under the Central Sales Tax Act, 1956, a dealer who transacts even one inter-State sale, of a value which may be negligible, is liable to registration under that Act. This entitles him to purchase goods in the course of inter-State trade at the concessional rate of 1 per cent. instead of the rate applicable to the goods in the selling dealer's State. This is a very valuable concession and, since it is available to dealers who may have a very small turnover of business and may, therefore, not even be required to register under the local Sales Tax law, it is desirable to provide that on the resale of such goods in Bombay State the importer from another State who is not registered under the local law should nevertheless pay tax as if he were so registered. Such a provision exists in the present laws, as for example in section 5-A of the Bombay Sales Tax Act, 1953. It is necessary that such a provision should be incorporated in the new law. Where, however, the sale by such a dealer is to a licensed dealer buying the goods for resale, and the goods are those on which the last stage of tax alone is chargeable, we feel that the sale should be free of tax since the licensed dealer will on his resale of the goods pay the last point tax. Local tax payable by a dealer registered under the Central Sales Tax Act, 1956.
- 3.17 The overwhelming bulk of the State's revenue from Sales Tax is derived from the pre-Reorganisation Bombay State area. Out of the total receipt of Rs. 31.63 crores in 1957-58, the collections from this area were as high as Rs. 26.86 crores, the balance of Rs. 4.77 crores only having been collected from Kutch, Saurashtra, Vidarbha and Marathwada areas taken together. Rates of tax.

In order, therefore, that the yield from the new system of tax applied to all the component parts of the State may not fall short of the present receipts from Sales Tax, the average rate of tax will have to be approximately the same as the present average of rates in force in the pre-Reorganisation Bombay State area.

We have been informed of the move made by the Government of India, 3.18 with the concurrence of all States including Bombay, for the levy by the States of sales tax at the uniform rate of 7 per cent. on fifteen categories of special goods, commonly known as luxury goods; we have also been given to understand that action has already been taken by many States in this regard. We have been further informed that keeping in view the revenue requirements of Bombay State for implementation of the Second Five-Year Plan, the size of which was fixed after taking into account the resources available on the basis of the present rates of tax, the agreement of the Government of India has been secured to the retention by the State of Bombay of the present rates of tax where they are higher than 7 per cent. We appreciate that there may be valid grounds for keeping Bombay rates of tax higher for certain special goods, including even some goods outside these fifteen items. We must, however, point out that excessively higher rates of tax are likely to encourage a diversion of trade from the State depending on the ease with which the goods can be transported, the cost of their transport and the rate of tax chargeable on inter-State sales of the goods. Higher rates of tax can therefore hold good only within a limited range. This is true of all goods of which substantial supplies are available at centres of industry and trade outside the State, as is the case with most commodities.

Another consideration which has to be borne in mind while fixing 3.19 suitable rates of tax is the capacity of goods of different categories to bear tax. It is in the ultimate analysis a question of what is the ability in this regard of the consumer of those goods, although within a narrow range it can sometimes be so contrived that an increase in rate is brought about in such a manner as to be absorbed in the manufacturer's or the seller's margin without impinging on the consumer. The existing rate structure offers good guidance in the matter of fixation of rates except where the adverse effect of such structure on some commodity or the other has been pronounced and has been commonly accepted.

We have reached our conclusions regarding rates of tax suitable for 3.20 different goods in the light of the observations made above. These we have indicated at the end of this Chapter against the goods enumerated in Lists I, II and III referred to previously. It will be seen from those lists that in a number of instances we have suggested the reduction of rates from their present high level in the pre-Reorganisation Bombay State area in order that the trade and industry of the State may not have to face a flight of business from their hands owing to an unsuitable rate structure. A number of other goods have been subjected to low rates of tax keeping in view their predominant industrial use or their importance in the family budgets of the middle classes and other comparatively poorer sections of the population. Goods brought under the tax for the first time in one or more of the component units of the State have also been treated in a similar manner.

3.21 The system outlined above, which among other things eliminates the **Merits** provisions for set-off in the case of retailers, will in our view impinge of the only lightly on their business. The amount of tax payable by the retail **system.** dealer will be of such small proportions and the manner of its calculation so simple as to lighten the burden of book-keeping which now rests heavily on his shoulders. It follows that the procedure of assessment in his case will also be reduced to a broad scrutiny of the basic accounts alone. The system of set-off has been virtually eliminated even in the case of manufacturers in the scheme proposed by us. Where, at present, under the Bombay Sales Tax Act, the manufacturer pays the first point of tax on the materials required by him and sets it off against the tax payable by him, he will, under the new scheme, be able to buy these goods free of tax, against his "Recognition", or in the case of basic materials required by major industries, will pay only a concessional rate of tax. The exclusion from the definition of "manufacture" and "process" of a number of minor processes, to which we have referred in paragraph 3.14 above will bring great relief to a class of dealers who, though numerous, are hardly in a position to cope with the rules relating to the regular manufacturers. We cannot forbear from noting that this inability of such small parties to comply with these rules has in the past often placed them in a predicament from which only the intervention of Government in the executive exercise of its inherent right of clemency has rescued them.

The tax system devised by us should therefore meet the desire of the mercantile community for simplicity. We also feel that it provides for an equitable and uniform imposition and distribution of incidence on different commodities in all areas of the new State. At the same time we believe that the system safeguards the revenues of the State since it leaves the minimum scope for evasion.

Sales of Intoxicants

3.22 Sales of liquor-potable and non-potable-medicinal preparations, opium and hemp are subjected in the area of the pre-Reorganisation Bombay State to tax at various rates, under the Bombay Sales of Intoxicants Taxation Act, 1953. These articles are simultaneously liable to tax under the Bombay Sales Tax Act, 1953, but there is a provision for the remission of three quarters of the sales tax on such goods in certain circumstances, if tax under the Intoxicants Act is also payable. The interests concerned have urged that such duplication of taxation be done away with and that intoxicants should be brought within the scheme of the general sales taxation. The retail chemists and druggists in particular have represented that the existing arrangements lead to avoidable duplication of work without corresponding benefit to the exchequer. So far as the sale of spirituous medicinal preparations is concerned we are in agreement with this point of view. Although such preparations are taxable under the Intoxicants Act only at the stage of sale by the manufacturer or importer and not by the retailer, the latter has nevertheless to take out a special licence for their sale. He has also to keep a separate account of transaction in these goods and to submit periodical returns and to go through the process of assessment under the Intoxicants Act

in addition to a similar process which he undergoes in compliance with the Bombay Sales Tax Act. We have also been apprised of the intention of Government to subject to different rates of taxation those medicinal preparations which are capable of causing intoxication and those which are not. In this connection we would advert to the limit of 12 per cent. in volume of alcohol which has been found acceptable in another context as one of the criteria for judging the capacity of any preparation to cause intoxication. On these premises we recommend that the Bombay Sales of Intoxicants Taxation Act should apply only to such goods as foreign liquor, in the sense commonly understood, leaving medicinal preparations, whether or not capable of intoxicating, to be taxed only under the ordinary Sales Tax law. We have recommended levy of tax at the higher rate of 25 per cent. on such spirituous medicinal preparations as are not declared to be capable of causing intoxication, vide entry at Serial No. 69 of List I appended to this Chapter. Government should before implementing the law relating to such medicinal preparations, publicise sufficiently in advance the list of such preparations as are declared to be not capable of causing intoxication. The minimum alcohol content sufficient to bring the preparations within the category of intoxicating medicinal preparations should also be clearly stated in the entry itself.

Sales of Motor Spirit

A bill to unify the special laws relating to the levy of tax on the sales of motor spirit in various parts of the State has recently been passed by the State Legislature and awaits the President's assent. The only recommendation, therefore, which we feel called upon to make on this subject is that the sales of lubricants, which still remain to be taxed in the Vidarbha area under the Central Provinces and Berar Sales of Motor Spirit and Lubricants Taxation Act, 1938, should cease to be dealt with under this special law and should come under the general Sales Tax law of the State.

Concluding
remarks.

A discussion of the system which we have recommended cannot be complete without a specific mention being made of the recommendations which we have made elsewhere in this report about simplification not only of the structure and the emanating rules and regulations but also about the administration and procedure. The trading community has brought to our notice a very large number of matters in respect of which they have either found difficulty or felt that they have been inconvenienced or harassed. It has been our endeavour to consider each and every issue dispassionately and after subjecting them to such an examination we have made definite recommendations which, in our opinion, are bound to result in considerable redress of the trading community's grievances in respect of various matters and which in course of time are bound to disappear. We are aware of the fact that the trading community has complained for a long time about these matters. It has, therefore, been our duty not only to recommend a system which in its very nature is a simple one but which also gives the trading community in a large measure what it wants and is at the same time very simple for being administered. On the grievances being redressed on the lines of our

recommendations, the relations between the Sales Tax Department and the public are bound to improve. We look forward to the day when the administration will have operated the system in the spirit in which we have made our recommendations so that there will be no genuine cause for complaint by the public and at the same time we expect the trading community and all others concerned to give their full co-operation to the Department in the discharge of its duties so that with an atmosphere of mutual co-operation obtaining, the system and the administration become popular. We have every hope that the trading community will realise that in substance we have recommended relief in respect of most of the matters brought to our notice by them and, in that light, we expect their full co-operation in making the new system a complete success. It is also essential that, while extending this co-operation, they will enable Government to eliminate the small section of the tax-evader in course of time.



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LIST I.

(See paragraph 3-09)

Schedule of goods, the sales of which should be subject to tax at first stage and the rates of tax.

Serial No	Description of Goods	Rate
1	Artificial silk yarn	2 per cent.
2	Betel nuts	Do.
3	Coal	Do.
4	Coke in all its forms	Do.
5	Dyes and chemicals	Do.
6	Furnace oil	Do.
7	Gunny bags and hessian	Do.
8	Iron and steel, that is to say : (a) pig iron and iron scrap, (b) iron plates sold in the same form in which they are directly produced by the rolling mills, (c) steel scraps, steel ingots, steel billets, steel bars and rods, (d) (i) steel plates, (ii) steel sheets, (iii) sheet, bars and tin bars, (iv) tool alloy steel, (v) rolled steel sections.	Do.
9	Raw silk and silk yarn	Do.
10	Safety matches (excluding matches used as fire works)	Do.
11	Staple fibre and staple fibre yarn	Do.
12	Starch made from maize or tapioca	Do.
13	Agricultural machinery and implements including parts of such machinery and implements (except such agricultural implements or parts thereof as are declared tax free under entry I of the list of exempted goods).	3 per cent.
14	Drugs and medicines other than those falling under Serial No. 69	3 per cent.
15	Machinery : spare parts and accessories thereof	Do.
16	Vegetable non-essential oils other than hydrogenated	Do.
17	Bricks and Roofing tiles	5 per cent.
18	Caustic soda and soda ash	Do.
19	Coal gas	Do.
20	Electrical goods other than those covered by entry No. 55	Do.
21	Foot-wear	Do.
22	Furniture other than that covered by entry No. 58	Do.
23	Non-ferrous metal sheets, rods, bars, slabs, blocks, ingots, circles and scrap.	Do.
24	Stainless steel sheets and rods	Do.
25	Paper including newsprint	Do.
26	Petroleum products including diesel oil and vaporising oil (except furnace oil and except kerosene oil and motor spirit declared as tax free under entries 26 and 32 of the list of exempted goods).	Do.
27	Pipes and fittings of pipes	Do.
28	Razor and razor-blades	Do.
29	Sewing machines	Do.
30	Soaps	Do.
31	Spectacles and spectacle frames of all kinds	Do.

LIST I—*concl.*

Serial No.	Description of Goods.	Rate.
32	Straw board	5 per cent.
33	Sweet-meats and <i>jarsan</i>	Do.
34	Timber other than fire-wood	Do.
35	Aerated waters	6 per cent.
36	Bicycles tandem cycles and cycle combinations, tyres, tubes and accessories and parts thereof	Do.
37	Cement	Do.
38	Hydrogenated vegetable oil including vanaspati	Do.
39	Ice	Do.
40	Paints, lacquers and varnishes	Do.
41	Tea, coffee and chicori	Do.
42	Motor-vehicle spare parts, tyres and tubes	7 per cent.
43	Photographic and other cameras and enlargers, lenses, paper, films and plates required for use therewith	Do.
44	Clocks, time-pieces and watches	8 per cent.
45	Fire-works	Do.
46	Articles made of glass, china, porcelain or glazed earthenware	Do.
47	Vacuum flasks of all kinds and thermoses	Do.
48	Aeroplanes	10 per cent.
49	Air-conditioning plants	Do.
50	Arms and ammunition	Do.
51	Binoculars and opera glasses	Do.
52	Cigarette cases and lighters... .. .	Do.
53	Cinematographic equipment	Do.
54	Dictaphones and other similar apparatus for recording sound and accessories thereof	Do.
55	Domestic electrical appliances including electric fans	Do.
56	Foamed rubber sheets, pillows, cushions, mattresses and other articles	Do.
57	Furs and skins	Do.
58	Furniture made of iron or steel and upholstered furniture	Do.
59	Gold and silver filigree	Do.
60	Lifts	Do.
61	Motor vehicles as defined under the Motor Vehicles Act and chassis of motor vehicles	Do.
62	Pile carpets	Do.
63	Refrigerators and mechanical water coolers	Do.
64	Sound transmitting equipment including telephone, electric record players and loud-speakers but excluding sound amplifying apparatus carried on the person and adapted for use as a hearing aid	Do.
65	Tabulating, calculating, cash registering, indexing, card punching, filing and addressing machines	Do.
66	Type-writers, duplicating machines and mechanical duplicators	Do.
67	Wireless reception instruments and apparatus and radio gramophones, transistors, batteries, electrical valves, amplifiers and loud speakers	Do.
68	X-ray apparatus and equipment	Do.
69	Spirituous medicinal preparations other than those declared not to be capable of causing intoxication	25 per cent.

LIST II.

(See paragraph 3.09).

Schedule of goods, the sales of which should be subject to tax at the last stage and the rates of tax.

Serial No.	Description of goods.	Rate of Tax.
1	Bullion and specie	$\frac{1}{2}$ per cent.
2	Articles made of gold and silver (of fineness not less than 75 per cent.) not containing any precious stones, synthetic or artificial precious stones, or pearls, real, artificial or cultured.	$\frac{1}{2}$ per cent.
3	Cotton, that is to say, all kinds of cotton (indigenous or imported) in its unmanufactured state, whether ginned or unginned, baled, pressed or otherwise, but not including cotton waste.	1 per cent.
4	Cotton seed	1 per cent.
5	Cotton waste	1 per cent.
6	Raw wool, wool tops and woollen yarn (other than knitting yarn)	1 per cent.
7	Chillies and chilly powder	2 per cent.
8	Gur including 'Kakavi, or 'Kakab'	2 per cent.
9	Hides and skins in a raw or dressed state or tanned	2 per cent.
10	Jute, that is to say, the fibre extracted from plants belonging to species <i>corchorus capsularis</i> and <i>corchorus olitorius</i> and the fibre known as <i>mesta</i> or <i>himbli</i> extracted from plants of the species <i>hibiscus cannabinus</i> and <i>hibiscus sabdariffa</i> or <i>allissima</i> whether baled or otherwise.	2 per cent.
11	Oil seeds, that is to say, seeds yielding non-volatile oil used for human consumption, or in industry, or in the manufacturing of varnishes, soaps and the like or in lubrication, and volatile oils used chiefly in medicines, perfumes, cosmetics and the like.	2 per cent.
12	Ready-made garments and other articles prepared from cotton, art silk and woollen textile fabrics costing more than Rs. 5 per article or suit.	2 per cent.
13	Tamarind	2 per cent.
14	Turmeric and turmeric powder	2 per cent.
15	Milk products including butter, ghee, <i>channa</i> and <i>khoa</i> (except sweetmeats and also except butter-milk, lassi and curds treated as tax free under entry 4 of list of exempted goods).	3 per cent.
16	Dried fruits and dried vegetables, bulbs and plants excluding orchids ..	5 per cent.
17	Pepper and other spices	5 per cent.
18	Jar i thread and embroidery materials, of gold, silver or gilded metal, including <i>badla</i> and <i>kasab</i> .	6 per cent.
19	Synthetic jewellery, cultured or imitated pearls and synthetic precious stones.	6 per cent.
20	Jewellery, pearls and precious stones	10 per cent.

LIST III.

(See paragraph 3.09).

Schedule of goods the sales of which should be subject to Sales Tax, General Sales Tax and Retailers' Turnover Tax, and the rates of taxes.

Serial No.	Description of goods.	Rate of Sales Tax.	Rate of General Sales Tax.	Rate of Retailers' Turnover Tax.
1	Cakes, biscuits, pastries, toffees and chocolates ..	4 per cent.	2 per cent.	25 per cent.
2	Floor and wall tiles	Do. ..	Do. ..	Do.
3	Food stuffs and food provisions of all kinds including raw, semi-cooked, semi-processed or ready to serve foods and including pickles, sauces, jams, marmalades, jellies, preserved fruits and honey, when such goods are sold in sealed containers of weight not exceeding five seers in each container, but except fresh milk, whole or separated, milk products (including butter, ghee, <i>channa</i> , and <i>khoa</i> but excluding sweetmeats), edible oils, <i>gur</i> and salt.	Do. ..	Do. ...	Do.
4	Toilet articles (including hair cream, hair tonics, hair oil but excluding soap).	Do. ..	Do. ..	Do.
5	Braids, borders, laces and trimmings	6 per cent.	Do. ..	Do.
6	Ladies' handbags and vanity bags	Do. ..	Do. ..	Do.
7	Suit cases, attache cases and despatch cases ..	Do. ..	Do. ..	Do.
8	Articles made of ivory, sandalwood or blackwood or inlaid therewith, and ornamental metalware (not being articles falling under entry No. 2 of List II).	8 per cent.	Do. ..	Do.
9	Marble and articles made of marble	Do. ..	Do. ..	Do.
10	Musical instruments	Do. ..	Do. ..	Do.
11	Perfumes, depilatories and cosmetics (except articles falling under Serial No. 4)	Do. ..	Do. ..	Do.
12	Stainless steel articles	Do. ..	Do. ..	Do.
13	Table cutlery including knives, forks and spoons ..	Do. ..	Do. ..	Do.
14	All non-exempt goods other than those specified in List I and List II and in the preceding entries.	3 per cent.	Do. ..	Do.

CHAPTER IV.

EXEMPTIONS FROM SALES TAX.

Exemptions under present laws.

The systems of tax in force in the greater part of Bombay State incorporate comparatively long lists of goods exempted from tax either as bare necessities or on grounds of sentiment or ideology. In the Marathwada area, in consonance with the operation of its multi-point system with a low limit of turnover attracting liability to tax, the list of exempted goods is naturally much shorter. Till recently, it did not include even such essential items as cereals and pulses, the flour produced from wheat, and fresh fruit. After Reorganisation, however, the Government of Bombay has added these items, together with certain publications of the Government of India, to the list of goods exempted under the Hyderabad General Sales Tax Act. 4.01

Conclusions of Sales Tax Enquiry Committee, 1946.

A Committee appointed by the Government of Bombay in 1946 under the Chairmanship of Prof. D. R. Gadgil, Director, Gokhale Institute of Politics and Economics, Poona, to report on the Sales Tax system then in force, considered the question of exemptions under the Bombay Sales Tax Act of 1946 and came to the following conclusions :— 4.02

“ We think it essential that in a sales tax of any type the list of exemptions shall be as small as possible. Theoretically, the more universal the incidence of a sales tax the easier in every way is its administration. It is obvious, however, that the incidence of any sales tax is so highly regressive that as large a part, as possible, of the essential consumption of the very poor should be exempted from such taxation. In making up an exemption list it is, however, necessary to keep in the foreground the point of view of its practical administration. A large exemption list has not, by itself, any merit. Exemptions which are confined to a few large and well-defined categories and which lead to exempting almost whole trades or the dominant activities of specific types of traders as a whole, operate very much better than numerous, narrowly defined exemptions which cut across the trading operations of large classes of dealers ”.

Nothing in the experience of the last ten years seems to have diminished the force of those recommendations and, if anything, the need for having a smaller and simpler exemption list has been greatly reinforced by the reported ease of evasion through many of the smaller exemptions.

Views of trade and industry.

In many of the written memoranda received by the Committee in reply to its Questionnaire and in the course of oral evidence tendered before the Committee, the desirability of a reasonably small list of exemptions has been stressed. Many individual traders and associations of traders dealing in particular commodities, have, of course, made a special plea for their exemption ; these range from costly goods like gold and silver, carpets, Banarasi sarees, sewing machines and tractors for agricultural use to common articles like sweet-meats and *farsan*, betelnuts and spices, Ayurvedic medicines, etc. However, the existing schedule of exemptions under the Bombay Sales Tax Act of 1953 appears to have found general acceptance with the associations and individuals not exclusively representing particular sections of trade and industry. 4.03

4.04 Our views in regard to the exemption of commodities from Sales Tax Committee's cannot be expressed better than in the words of the Sales Tax Enquiry Committee, 1946 which have been quoted above. Those observations have not lost their force with the lapse of time. However, we have to take account of the fact that, not merely the trade, but also the community as a whole has long since become accustomed to the lists of exemptions which have been in force for an appreciable period. To curtail these lists to any large extent will disturb the equilibrium which we do not consider desirable. Accordingly, the list of exemptions which we have drawn up and have appended at the end of this Chapter, has, with few exceptions, generally followed Schedule A to the Bombay Sales Tax Act of 1953.

4.05 Doubts have been expressed regarding the propriety of granting exemption to products of small-scale and cottage industries. Of late, there has been a pronounced tendency towards State encouragement of this type of production through various means, direct as well as indirect. Exemption from Sales Tax has been given under this policy to the products of such industries under certain safeguards so as to free the trade in these goods from the financial burden of the tax as well as from its procedural hardships. The propriety as well as the wisdom of such a policy was questioned by the Sales Tax Enquiry Committee, 1946 which expressed itself on this issue in the following terms :—

“Encouragement to particular traders, producers or activities is best and most efficaciously given by direct action, in this behalf, on the part of Government. Inclusion in the sales tax exemption list does not perhaps give very substantial help to any activity. On the other hand, every such exemption adds to the difficulties of traders and of the administration and every exemption that leads to evasion, leads to loss of revenue, undermines the administration of the Act and effectively increases the gap between the burden on the consumer and the revenue accruing to Government”.

We have noticed that even outside Bombay similar views have been expressed on the subject. While appreciating that there is some force in the principle underlying the objection taken to the grant of exemption to small-scale and cottage industries, we would like to distinguish for this purpose industries of this category covered by the Khadi and Village Industries Commission Act of 1956 from other small-scale and cottage industries. The importance of these industries in the life of the nation has been generally accepted, the result of which is the special arrangement for their development under the supervision and care of the Khadi and Village Industries Commission. This is a measure designed for relieving rural unemployment. No doubt the giving of a direct subsidy rather than relief from tax is ordinarily a better method of giving financial assistance. At the same time, we are of the opinion that the grant of exemption from the tax will give the additional benefit of freeing these industries from the administrative and other burdens of the tax for which there is no satisfactory means of providing direct relief. Besides, it has been found to be generally possible to ensure that the benefit of exemption given to the products of these industries accrues to them alone and is not wrongfully appropriated by others. We accordingly recommend the inclusion in

the list of exempted goods, of the products of the village industries to which the Khadi and Village Industries Commission Act of 1956 is applicable. The organisation of industries governed by the Khadi and Village Industries Commission Act of 1956 and the supervision of such industries by the Commission are such as to ensure that the benefit of exemption from Sales Tax which is given to the products of these industries, is derived by the consumers of these products as well as by the persons engaged in these industries and is not appropriated by middlemen. At present this cannot be ensured for similar industries which are outside the purview of the Khadi and Village Industries Commission. We do not therefore favour the grant of exemption to products of small-scale and cottage industries in general as has been suggested by some persons in reply to our Questionnaire. We would recommend in this connection that other industries may be considered for inclusion in the Schedule of the Khadi and Village Industries Commission Act so that the benefit of exemption from Sales Tax may be extended to them. Besides, there are certain small-scale and cottage industries which may not qualify for inclusion under the Khadi and Village Industries Commission Act. All the same, such industries are also deserving of encouragement. They are a good means of providing additional employment in rural areas; many of them preserve the tradition of artistic skill and craftsmanship handed down from generation to generation. Some of these industries can under encouragement be expanded so as to become important earners of foreign exchange. It is therefore highly desirable that such industries should also be suitably organised and supervised so that the benefit of exemption from Sales Tax may be given to them with the assurance that it will be enjoyed by the men of small means engaged in these industries and by the consumers of their products.

Hand-made footwear.

The case of hand-made footwear, now exempted unconditionally in Saurashtra and subject to maximum price of Rs. 4.50 per pair in pre-Reorganisation Bombay State area, presents special difficulties. This industry is not well-organised to-day so as to eliminate the scope for misuse of the exemption. At the same time, the section of the community which derives its living from this occupation is large and is in a poor condition. We have therefore made a departure from the general principle followed by us and have included hand-made footwear in our list of exemptions. We have also thought it necessary to fix the price limit for this purpose at Rs. 7.00 per pair. 4.06

Cooked food and non-alcoholic drinks.

As at present worded, entry No. 22 of Schedule A to the Bombay Sales Tax Act of 1953 restricts the benefit of exemption of food and non-alcoholic drink consumed at one time by one person at a cost not exceeding one rupee, to the consumption of such food and drink on the premises of the eating place. It has been pointed out to us that this restriction has been operating to the disadvantage of many establishments eligible for the benefit of exemption and is also causing not a little administrative difficulty. The reason is that the smaller of these establishments, the number of which is considerable, cannot maintain satisfactory accounts from which the turnover of sales of food and drinks not liable to tax can be worked out. Accordingly, the assessing authorities have to resort to estimating the turnover of sales liable to assessment on the basis of 4.07

factors such as the volume of purchases of various goods, the locality in which the establishment is situated, the size of the establishment, the number of servants and even the number of chairs and tables. This has given rise to a grievance on the part of dealers and also gives scope for harassment. We have, therefore, thought fit to recommend that the condition attaching to the exemption, namely, that the food and drink should be consumed at the eating place itself, should be removed so that although such food including *farsan* and drink may be carried away for consumption outside the eating place, the exemption of the sale price of such food and drinks should be permitted. The satisfaction that this liberalisation will give to the dealers concerned and the saving of trouble to the administration, will be considerable; as against these, the loss of revenue will not be unduly large. We do not however propose that this exemption should be enjoyed by confectioners selling sweets, sweet-meats and pastries and we suggest that the definition of cooked food to be incorporated in the Schedule of exempted goods should make this clear in terms.

- 4.08 We may also indicate at this stage why we have thought fit to recommend the removal of a few articles from the list of exemptions although they are exempted under the Bombay Sales Tax Act of 1953. We are of the opinion that "Gur" cannot be placed on par with cereals and pulses. Sugarcane is a cash-crop and Gur produced from it can as well be taxed as edible oil is taxed. The Committee has therefore decided not to exempt "Gur" from tax. We see no reason why chillies, chilly-powder, tamarind and turmeric should enjoy exemption. We have therefore removed the entry relating to these commodities from our list of exempted commodities. The same is the case with coal gas sold to a local authority for street-lighting. We are not sure whether the specific exemption of electrical energy is necessary. We understand that electrical energy for taxing the consumption and the sale of which there is a separate entry, viz., entry No. 53 in List II of the Seventh Schedule of the Constitution, cannot be considered to be covered by the expression "goods"; if so, even if electrical energy is not specifically included in the list of exemptions, it will not be liable to tax under the Sales Tax Law. We have not therefore included electrical energy in our list. Withdrawal of exemptions.

- 4.09 Coming to the entry in the Bombay Act relating to text-books, books of supplementary reading, etc., we have found that a very considerable proportion of the books and periodicals sold by publishers and book-sellers, enjoy exemption thereunder. We are told that the remaining classes of publications on which tax is leviable, constitute a small proportion of the total sales of book-sellers and publishers and the revenue derived from them is also not considerable. The cost of compliance with the requirements of the Sales Tax Laws, is therefore out of proportion to the benefit to the exchequer. We have also been informed that the National Development Council at its meeting held in June 1957 has made a recommendation that books and periodicals should be exempted from Sales Tax. We have, accordingly, suggested the exemption of all books and periodicals from Sales Tax. Books and periodicals.

**Printing
presses.**

We have also considered favourably a related demand of the printing trade. It has been urged before us on behalf of the printing presses that the work done by them in the execution of orders placed on them is in the nature of services rendered and should not attract Sales Tax which is meant to be a tax on the sale of goods and not on services rendered. We have, however, found that the printing presses not merely carry out the job of printing : they also supply materials like paper, paste-board, cards, etc., on which the printing is done, and they make a consolidated charge for the finished product. It is not, therefore, substantiated that the work done by the printing presses is in this respect materially different from the work done by any manufacturing industry. We have therefore not been able to accede to the demand of the trade. However, having regard to the special circumstances of the industry, we are of the view that concessional treatment may be accorded to the printing presses by way of taking them out of the purview of the lower limit for liability to tax fixed for manufacturers or processors ; they may be classed for this purpose with categories of dealers other than importers and manufacturers or processors, so that they may have the benefit of the higher limit of turnover prescribed for liability to tax. The levy of the tax may also be restricted to an amount calculated on the price charged for materials supplied, if it is separately shown in the bills and accounts ; the printing charges should not bear tax. **4.10**

**Ready-
made
clothes.**

Manufacturers of ready-made clothes made a special plea for exemption of their products from the tax on the ground that their principal raw material, namely, textiles, is already subject to additional Central Excise Duty, which has lately been imposed in lieu of Sales Tax, and further that in consequence of the levy of the additional Central Excise Duty, they have ceased to get the benefit of set-off of the tax paid on the purchase of textiles or of their purchases free of tax, as the case may be, which they previously used to get. They have represented that their products largely enter into the consumption of the poorer sections of the community. Some of them have said that ready-made garments stitched out of fabrics which are not liable to any tax, e.g., Khadi and hand-loom products, should be exempt from tax in keeping with the spirit underlying the grant of exemption to those original products even though such stitching may not be done by units within the jurisdiction of the Khadi and Village Industries Commission. We have not been able to accede to the demand of this industry in full. To relieve the burden on the poorer sections of the community, we recommend that ready-made clothes which are sold at a price not exceeding Rs. 5 each, should not bear any tax. We have separately recommended the levy of tax at a reduced rate of 2 per cent. on ready-made clothes not so exempt. We further recommend that similar treatment may be accorded to articles like cloth bags, dusters, pillow-covers, etc., which although not articles of clothing, are of like nature in that they are also products of textile fabrics sold in a stitched form. **4.11**

**Articles
of non-
ferrous
metals.**

Representations were made on behalf of producers of articles and utensils made out of non-ferrous metals, that such products should not be subjected to tax. It has suggested that the more convenient way of **4.12**

indirectly subjecting these goods to tax would be to charge an appropriate rate of tax on the raw materials of this industry, namely, sheets, rods, etc., of non-ferrous metal. We, however, found that the margin of difference between the purchase price of the raw materials and the sale price of the articles and utensils turned out from them was considerable and that to levy a rate of tax fixed in consideration of this margin, on sheets, rods, etc., would be to place an undue burden on the use of those materials for other purposes. We have however been able to accede to the request for exemption of articles and utensils made from *kansa*. This industry is a specialised one and is located at a few centres. The sale of its products has been dwindling for some time past. We consider that in these circumstances this industry may be given encouragement by way of exemption from tax.

- 4.13 A demand was made by a number of persons engaged in village industries listed in the Schedule of the Khadi and Village Industries Commission Act of 1956, that they should be allowed to purchase free of tax raw materials like oil seeds used by these industries for the manufacture of goods for sale. We are of the view that the exemption from tax of the sales of the products of these industries should give them adequate encouragement but further facility by way of tax-free purchases of raw materials which bear tax when purchased by those outside the sector of the village industries, is not necessary; moreover, such further facility may give scope for misapplication and therefore for escape of tax.

- 4.14 In our Questionnaire we had posed a question as to whether the grant of exemptions or concessions to co-operative ventures in the field of manufacture was a desirable step. Generally speaking the consensus of opinion of those who have replied to this question is that co-operative ventures as such, need not be given preferential treatment. Having regard to the fact that the field of such ventures has been steadily widening and that various forms of direct and indirect assistance are already available to them, we have come to the conclusion that further assistance in the form of exemption from Sales Tax, is uncalled for, particularly when the grant of such facility may widen the door for the escape of tax. There may, however, be cases of co-operative ventures being faced with a special problem. Individual artisans or craftsmen sometimes organise co-operative societies for the collective purchase of their raw materials on advantageous terms or for the promotion of the sale of their finished goods or both. As individuals, their purchases or sales may not attract tax for the reason that the turnover is not high enough; the combined turnover, however, which becomes the turnover of a single unit, viz., the co-operative society, attracts the tax. We recommend that Government in the appropriate Departments may examine whether taking account of the totality of facilities made available to such societies, a further relief by way of direct financial subsidy or indirect relief by way of exemption from Sales Tax, should be given to such societies to counteract the adverse effect of liability to Sales Tax. We may mention in this connection the name of Akik Udyog Vikas Sahakari Mandali Limited, Cambay, which approached us with a request for exemption from Sales Tax in the circumstances stated above.

Exemption of certain classes of sale.

We have so far dealt with exemption of goods as such from Sales Tax. **4.15** Rules 5, 6, 7 and 9 of the Exemptions, Set-off and Composition Rules framed under the Bombay Sales Tax Act of 1953 deal with exemption and remission of certain classes of sale, as distinct from sales of categories of goods. We have examined the suitability as well as the desirability of these exemptions and remissions and are of the view that these exemptions and remissions should be continued. In regard to sub-rule (iv) of Rule 9, which relates to sales of iron and steel furniture to a charitable hospital, dispensary or clinic, we recommend that it should be made clear that the criterion for recognition of an institution in this behalf need not be that it renders all services free of charge; it is quite in keeping with the spirit underlying this remission if the institution is substantially charitable which character is not lost even though it may be levying nominal charges or charges in respect of special services (for example, for taking X-Ray photographs or for pathological examination); or recovers full charges from well-to-do persons. We also recommend that the purchase by such institutions of drugs and medicines should enjoy not merely remission but complete exemption.



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Goods, the sale of which should be free from all taxes.

(See paragraph 4-04.)

Serial No.	Description of goods.	Conditions and exceptions subject to which exemption should be granted.
1	2	3
1	Agricultural implements (including any parts thereof which are sold at a price not less than Rs. 5 each) worked or operated exclusively by human or animal agency, of the following kind :— Chaff-cutters, clod crushers, harrows, iron and leather mhots, ploughs and plough points, pick-axes, rahats, shovels, sickles, spades and seed drills.	....
2	Betelleaves .. .. .	....
3	Bread in loaf or rolls or in slices, toasted or otherwise ..	....
4	Butter-milk, curds and lassi .. .. .	....
5	Books, journals and periodicals including almanacs and panchangs.	....
6	Cattle, sheep and goats .. .. .	....
7	Cattle-feed including fodder and concentrates but excluding cotton seed.	....
8	Cereals and pulses in all forms	Except when sold in sealed containers.
9	Charkha and other implements used in the production of handspun yarn as may be specified by the State Government by notification in the <i>Official Gazette</i>.	....
10	Cloth woven on handlooms, other than cloth woven of pure silk with or without Jari, all varieties of cloth manufactured in mills or on power-looms excluding pure silk cloth.	....
11	Cooked Food and non-alcoholic drinks served at one time at a cost of not more than rupee one per person, for consumption at or outside any eating house, restaurant, hotel, refreshment room, or boarding establishment which is not a shop or establishment conducted primarily for the sale of sweet-meats or confectionery or cakes, biscuits, buns and pastry, but including any shop in which <i>farsan</i> is sold exclusively.	....
12	Country bullock-carts .. .. .	....
13	<i>Dhabla</i> , <i>Ghonghadi</i> , <i>Kambli</i> or <i>Kambal</i> and <i>Pachhedi</i> woven on handloom exclusively out of hand-spun woollen yarn and sold at a rate not exceeding rupees fifteen each.	....
14	Eggs .. .. .	....
15	Fertilizers .. .. .	....
16	Firewood and charcoal .. .. .	....
17	Fish	Except when sold in sealed containers.
18	Flour including atta, maida, besan, suji and bran ..	Except when sold in sealed containers.
19	Flowers .. .. .	....
20	Footwear made by hand without using power at any stage ..	When sold at a rate not exceeding Rs. 7 per pair.
21	Fresh fruits .. .. .	....
22	Fresh vegetables and edible tubers .. .. .	....
23	Glass bangles .. .. .	....
24	Handloom and parts thereof .. .. .	....
25	Articles and utensils made of Kansa .. .. .	....
26	Kerosene .. .. .	....
27	Kumkum .. .. .	....
28	Mangalsutra with black glass beads but not containing pearls or precious stones.	....
29	Manures including oil cakes .. .. .	....
30	Meat excluding flesh of poultry and feathered game ..	Except when sold in sealed containers.
31	Milk, whole or separated including toned milk ..	....

Serial No.	Description of goods.	Conditions and exceptions subject to which exemption should be granted.
1	2	3
32	Motor-spirit, meaning — (a) any inflammable hydro carbon (including any mixture of hydro-carbons or any liquid containing hydro-carbons) which is capable of being used for providing reasonably efficient motive power for any form of motor vehicles, and (b) power alcohol, that is, ethyl alcohol of any grade (including such alcohol when denatured or otherwise treated) which by itself or in admixture with any such hydro-carbon, is capable of being used as aforesaid but not including diesel oil or any other form of inflammable hydro-carbon material which the State Government may, by notification in the <i>Official Gazette</i> , specify in this behalf.	
33	Plantain leaves	.....
34	Plants	.....
35	Ready-made garments and other articles prepared from cotton, woollen and artificial silk textile fabrics costing less than Rs. 5 per article or suit.	.....
36	Salt	.....
37	Silkworm eggs and silkworm cocoons	.....
38	Slates and slate pencils; chalksticks and crayons; foot-rules; exercise and drawing books and lead pencils.	.....
39	Stamp-papers sold by vendors duly authorised under the provisions of the Indian Stamp Act, 1899.	.....
40	Sugar including <i>Khandsari</i> and <i>Palmyra</i>	.....
41	Sugarcane	.....
42	Tobacco, manufactured or unmanufactured, cured or uncured and tobacco products including cigarettes, cigars, cheroots and bidis.	.....
43	Vegetable seeds, bulbs and flower seeds	.....
44	Products of Village Industries	(1) When sold by a producer recognised for this purpose by the Collector of Sales Tax after taking into account the recommendations of the Khadi and Village Industries Commission constituted under the Khadi and Village Industries Commission Act, 1956. (2) When sold by any other dealer where such products have been purchased from a producer recognised by the Collector of Sales Tax in this behalf.
45	Water other than aerated, mineral, medicinal or tonic water.	.....

N.B.—As regards Serial No. 1, it is desirable that the names in regional languages by which the agricultural implements are commonly known, should be indicated in the Schedule of exemptions so as to avoid misapprehension on the part both of officers of the Department as well as of dealers.

CHAPTER V.

REGISTRATION, LICENSING, AUTHORISATION AND RECOGNITION.

- 5.01** In the course of our consideration of a suitable system of Sales Tax to be applied to the entire State, we have had occasions to make mention of registered dealers, of licensed dealers and of a system of recognition of manufacturers and processors. In the Bombay Sales Tax Act of 1953 there is also provision for a system of "authorisation".
- 5.02** Registration is a common feature of the Sales Tax systems in force in the different States in India. In each of these States dealers whose turnover of sales or purchases, as the case may be, exceeds a certain prescribed minimum limit, become liable for payment of tax on their sales or their purchases as the case may be. Further, in most of these States it is only those dealers who are liable to pay tax who have also to register under the Sales Tax Law. In certain States, however, the minimum turnover limit prescribed for registration is lower than that prescribed for liability to tax; the object is to keep a watch on dealers whose turnover of purchases or sales is very near the limit at which liability to tax is attracted. Some of the States have also a system of voluntary registration under which a dealer whose turnover is not such as to make him compulsorily liable for tax, may none-the-less elect to get registered and to pay tax.

Under the law in force in the pre-Reorganisation Bombay State area, a dealer who is liable to pay tax has alone to be registered; there is no arrangement here for registration, either compulsorily or voluntarily, of dealers other than those who are liable to pay tax on having exceeded the minimum turnover limit prescribed for the purpose. In Kutch, Saurashtra and Vidarbha areas there is a provision for voluntary registration of a dealer who has not acquired the liability to pay tax and, therefore, to register compulsorily. However, apart from such voluntary registration, there is no provision in the laws in force in these areas for registration of dealers whose turnover is less than that prescribed for liability to tax. In the Marathwada Districts, where the Hyderabad Sales Tax Act is in force, a dealer who has a turnover of Rs. 5,000 or more is compulsorily liable for registration although liability to pay tax arises only on his having reached a turnover limit of Rs. 7,500 per annum. There is no provision for voluntary registration under the Hyderabad Act.

- 5.03** We have not found any need for a system of compulsory registration on the basis of a limit of turnover lower than that prescribed for liability to pay tax. No doubt it is of advantage, under certain circumstances, from the administrative point of view to know from time to time the dealers whose turnover is about to exceed the prescribed limit. However, we consider it important that as few small dealers as possible should have to comply with the procedural requirements of Sales Tax; we do not therefore advise that a dealer who does not have to pay tax either on his sales or purchases should require to obtain registration. Besides, even in the absence of a ready list of dealers who are on the border of

the limit prescribed for liability to tax, it should not be difficult for the Sales Tax Department to find out a dealer who has exceeded the limit. We do not also see any reason for giving the dealers the option to get registered and to pay tax even though their turnover is below the limit for liability to pay tax. In a pure single-point system in which the levy is at the last stage of sale, registration enables a dealer to make purchases free of tax. Unlike this, in the composite system of tax that we are recommending mere registration will confer no such special benefits on a dealer.

Neither the written replies to the questionnaire nor the oral evidence tendered before us has shown that there is any opposition to the system of registration as such. It has been accepted by all that the efficient administration of Sales Tax calls for a system of registration. There have been suggestions, however, to have higher minimum turnover limits for registration than those which are in force at present in the different component units of the State. On the other hand there has also been a suggestion to register every manufacturer and importer on the ground that each such person makes sales which are first sales in Bombay State and should therefore pay tax. We do not think that it is either administratively convenient or necessary to tax all manufacturers and importers irrespective of the volume of their turnover. In our opinion the present minimum turnover limit prescribed for these categories of dealers under the Bombay Sales Tax Act of 1953, namely, Rs. 10,000 per annum of total sales of which the total aggregate value of imports or of manufactures is not less than Rs. 2,500, is suitable from all points of view. In Saurashtra area the present limits for this purpose are Rs. 10,000 in respect of an importing dealer out of which not less than Rs. 1,000 is the value of imported goods and Rs. 10,000 for a manufacturing dealer out of which not less than Rs. 2,500 is the value of manufactured goods. In Vidarbha area, the limit for an importing dealer is Rs. 5,000 and that for a manufacturing dealer, Rs. 10,000, irrespective of the value of the imported or manufactured goods. In Kutch, a manufacturer becomes liable on his turnover exceeding Rs. 5,000 per annum and an importer does so on his turnover of imported goods exceeding Rs. 5,000 per annum. In Marathwada region, no separate turnover limits are prescribed for importing and manufacturing dealers. For categories of dealers other than importers and manufacturers, we consider that the minimum turnover limit should be fixed at Rs. 30,000 per annum which is the limit prescribed under the present Saurashtra and Kutch laws and is higher than the present limits in the other areas. 5.04

A point which has been urged before us by a large number of individuals as well as associations of traders is that the minimum turnover limit prescribed for purposes of registration and of liability to pay tax, should be that of taxable sales only and should not take into account sales of exempted goods or of other sales which are not liable to tax. There are, no doubt, numerous sales of taxable commodities on which a dealer whose aggregate turnover of sales or purchases exceeds the minimum prescribed for registration and for payment of tax, may not have to pay any tax, as for instance, sales to manufacturers, and processors on the strength of their recognition certificates. We are of the opinion that no useful purpose will be served by the exclusion of such 5.05

transactions from the turnover of sales for the purpose of liability for registration or for payment of tax. A step of this nature may also lead to considerable escape of tax. We cannot also accept the other suggestion, namely, that sales of exempted goods should not be included in the turnover for fixing the liability to register and to pay tax. Our recommendation that a person who deals exclusively or predominantly in tax-free goods should be kept outside the purview of taxation, meets adequately the point mentioned above. Under the laws in force in the several areas of the State, no distinction is made for the purpose of liability for registration and to pay tax, between sales of exempted goods and sales of taxable goods; a dealer having a volume of sales of exempted goods which is in excess of the minimum prescribed turnover has to get himself registered and to comply with the various requirements of the law on account of even a negligible volume of sales of taxable goods which he keeps in stock perhaps more for the convenience of his customers than for earning a profit on their sales. Similarly, packing materials like empty gunny bags acquired in the process of purchase, for example, of foodgrains and pulses, have to be disposed of from time to time by sale and even though such sales may amount to a negligible proportion of the total volume of the transactions of the dealer, he has to get himself registered, submit various returns and do many other things laid down by the law. The tax payable by these dealers is usually quite negligible. In making our recommendations on a suitable system of tax we have already stated that in our opinion dealers having a turnover exclusively of non-taxable goods or whose turnover of taxable goods does not exceed Rs. 2,500 per annum although the aggregate of such turnover together with that of non-taxable goods may be in excess of the limit prescribed for registration, should not be made liable for registration and for payment of tax. This will go a long way in meeting the point of view of a very large number of small dealers. Taking into account the tax payable by these dealers, we do not think that their elimination from registration will have any considerable effect on the revenue derived from Sales Tax.

- 5.06** We have recommended that where a tax will be leviable at a stage of Licensing, sale after the first one effected within the State, that stage should be that of the last licensed dealer in the chain of dealers. We have thus already recommended by implication that the system of licensing, which obtains under the Bombay Sales Tax Act of 1953, should be extended to the other component parts of the new State. Under this system, a registered dealer having a total sale to other registered dealers or in the course of inter-State trade or export of more than Rs. 50,000 per annum, is given a licence on the strength of which he makes purchases for resale free of the second-point tax, he pays to Government this tax on his own sales to persons other than licensed dealers. This ensures that a large volume of sales which are of the nature of intermediary transactions, are kept free from the burden of this tax, the collection of which is postponed to the stage of sale to the final consumer or of the one immediately preceding that. From the point of view of administration this has the convenience that it does not generate a multiplicity of refunds and of set-off which may have been due in order that tax on sales at intermediate stage

as in a multi-point system of tax should be avoided ; at the same time the bulk of the second-point tax is collected from a comparatively small number of dealers, who have also got the necessary financial and other means for complying with the requirements of the tax law. We have thought fit to retain this arrangement in the new system of tax which we recommend to Government.

A question has arisen in this connection as to what should be the suitable turnover limit for the grant of a licence. Taking into account the general pattern of trade in the State and having regard to the fact that prices are likely to remain at a high level, we think that the limit of Rs. 50,000 which is in force under the Bombay Sales Tax Act of 1953, will meet the requirements of trade in all the component units of the new State.

In this connection we have also considered whether some of the features of the existing licensing system in the original Bombay State area are such as cause hardship to dealers. Our attention has been invited by many dealers to the requirement of furnishing of security, for a period till the first assessment, whether in the form of surety or otherwise, by a dealer who has been newly granted a licence. It has been represented to us that the furnishing of security puts an extra burden on the shoulders of dealers and should be dispensed with. We are, however, of the opinion that the privilege of making tax-free purchases which goes with the grant of a licence is one which should be granted only under adequate safeguards. We have also found that ordinarily it is not too difficult for a dealer to furnish the requisite security. We therefore recommend that the system of furnishing of security should continue.

Another safeguard in regard to a newly-licensed dealer which is resorted to by Government is that of requiring a dealer so licensed to submit monthly Sales Tax returns for the first twelve months. We consider that this is also a wholesome arrangement and should be continued in the system of tax recommended by us.

In Kutch, Saurashtra and Vidarbha areas, all registered dealers can under the existing single-point tax system make tax-free purchases of goods for resale, without having to furnish any security and without having to submit monthly returns. It will be unfair to ask for furnishing of security and for submission of monthly returns by those among such dealers who will qualify for licence under the new system. Accordingly, we recommend that during the first twelve months after the introduction of the new system of tax, Government should not ask for furnishing of security or for submission of monthly returns by such newly-licensed dealers as were prior to the introduction of the unified sales tax system eligible for making tax-free purchases under the laws in force in the several component units of the State. We think that all such dealers will have obtained their licenses under the new system within twelve months; thereafter the requirements of furnishing of security and of submission of monthly returns may be enforced uniformly.

5.07 Bombay is an export surplus State because of the industrialisation existing in certain urban areas of the State and because of the importance of the port of Bombay through which a large volume of imports into, and exports from, the country passes. A very large bulk of the trade and commerce in Bombay State relates to sales in the course of inter-State and export trade. It has, therefore, been of primary importance to trade and industry in the State that the imposts under the sales tax laws are not added to the cost of goods eventually sold in the course of inter-State or export trade in such a manner as to affect the competitive position of the trade and industry of the State in markets outside the State. In order to achieve this object, a system of "authorisation" has been incorporated in the Bombay Sales Tax Act of 1953 under which goods can be purchased free of tax by dealers who are authorised for the purpose, on the strength of appropriate certificates prescribed for the purpose.

In a single-point last stage tax system, the object is more easily achieved by the device of allowing every registered dealer to make tax-free purchases of goods for resale. However, in a tax system which has a levy at the first stage of sale, such a simple device cannot work and a special arrangement as under the Bombay Sales Tax Act of 1953 is necessary.

The system of "authorisation" has been found to answer the needs of trade and industry in the original Bombay State area and has found general acceptance. Some persons have, however, criticised the system on the ground that it is redundant or that it confers an advantage on a limited class of dealers and that it shuts out other dealers from qualifying for the grant of authorisation for the reason that as long as the present holders of authorisation continue to be able to make tax-free purchases while non-authorised dealers cannot do so, the former can always keep the latter out from inter-State and export trade. It has therefore been suggested by such persons that all dealers should be put on a par by the abolition of the system of authorisation so that everyone will pay the tax due under the State law and will claim a refund of the tax so paid on proof of having re-sold the goods in the course of inter-State trade or export.

The importance to trade and industry in Bombay State of sales in the course of inter-State trade and export trade has not diminished after Re-organisation. Besides, for the country as a whole, the importance of increasing the volume of exports has become considerably greater. Accordingly, it will be totally unrealistic to do away with the system of authorisation either in order to place all dealers on a par or to remove the inconveniences alleged to be felt by some. However, we are impressed with the argument that a small trader who does not qualify for the grant of authorisation tends to be kept permanently out of inter-State or export trade unless as an "N" Form purchaser he builds up sufficient sales in the course of inter-State and export trade. All the same, we do not consider it safe to bring down the minimum turnover limit for the grant of authorisation to a sufficiently low level to suit the

standing in business of those who do not at present qualify for authorisation. We have therefore examined whether there is any other alternative arrangement which may redress the grievances of these dealers to a reasonable extent. Under the existing system, non-authorised dealers who make re-sales in the course of inter-State trade or export, have to bear the full burden of the State tax paid on their purchases; there is no provision even for refunding to them the amount of the tax in consideration of their having made their re-sales in the course of inter-State trade or of export. We consider that for these dealers a system of set-off or refund of tax paid on the purchase of goods eventually re-sold in the course of inter-State trade or export, should be introduced. Although they will have to bear the burden of the tax initially, that will be preferable to not being able to sell at all in the course of inter-State trade or export. Those who have difficulty in making purchases on Form "N" will also like it. In due course these dealers will qualify for authorisation on the strength of the appropriate volume of turnover of sales in the course of inter-State or export trade. Since tax will have been paid initially and set-off or refund will be admitted on adequate proof of sale in the course of inter-State or export trade, the danger of escape of tax will be considerably less than if tax-free purchases as under the system of authorisation were allowed to be made by these dealers.

The present minimum turnover limit for authorisation is Rs. 50,000 per annum of sales in the course of inter-State or export trade. It has been pointed out to us that even after Reorganisation sales to Kutch, Saurashtra, Vidarbha and Marathwada areas continue to count towards the minimum limit of Rs. 50,000 per annum although they have ceased to be inter-State sales. On the introduction of the new system of Sales Tax, these sales will no longer constitute sales in the course of inter-State trade. It has, therefore, been suggested that a lower limit should be prescribed for the grant of authorisation. We see the force of this argument. In addition, it has to be taken into account that in the single-point last stage tax areas of Kutch, Saurashtra and Vidarbha, every registered dealer who sells in the course of inter-State or export trade, gets the full facility today of making tax-free purchases irrespective of the volume of his inter-State or export sales; it should be the aim to deprive as few of these dealers as possible of the present facility. We accordingly suggest a minimum limit of Rs. 30,000 per annum; that is a dealer having an aggregate turnover of sales in the course of inter-State and export trade in excess of Rs. 30,000 per annum, may be granted an authorisation on the strength of which he will be able to make tax-free purchases for the purpose of re-sale within nine months in the course of inter-State and export trade. The system of tax-free purchases on "N" Form certificates should cease as a result of the lowering of the limit for authorisation and in its place an authorised dealer may be permitted to make tax-free purchases from another authorised dealer for further sale within nine months in the course of inter-State trade or export.

In the third, fourth and fifth sub-paragraphs of paragraph 5.06 we have made certain observations and recommendations regarding the

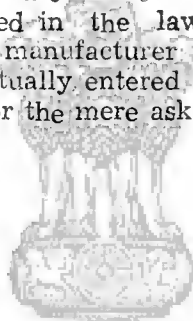
manner in and the safeguards under which the grant of licence should be made. The grant of authorisation should also be made in the same manner and under similar safeguards.

- 5.08** In the single-point last stage tax systems which are in force in Kutch, Saurashtra and Vidarbha areas, manufacturers can purchase free of tax goods required for use in the manufacture of goods for sale, on the strength of their registration certificates. Under the system in force in the pre-Reorganisation Bombay State area, manufacturers can use their licences for a similar purpose to buy goods on Form L free of the second-point tax. Under our scheme of tax, we have thought fit to suggest that a tax at a sufficiently low rate should be charged on purchases made by manufacturers and processors of industrial raw materials, process materials etc., which do not have any considerable non-industrial use. The amount of such tax can be absorbed in the cost of manufacture. Where the goods required in the manufacture of goods for sale cannot be conveniently dealt with in this manner, we suggest a system of tax-free purchases by a "recognised" dealer. A "recognition" certificate will in substance be the same as a licence held to-day by a manufacturer under Section 12 of the Bombay Sales Tax Act of 1953. It will, however, go further than the system of licensing in that it will enable purchases free of the entire tax and not merely of the last stage tax. In this respect the system of recognition will have the same use for manufacturers as the registration certificate has in the single-point tax regions. We further recommend that, unlike the system of licence obtaining in the pre-Reorganisation Bombay State area, the benefit of which is available only to those having a turnover of more than Rs. 50,000 per annum of sales to other registered dealers, all manufacturers who hold registration certificates should be eligible for recognition. This will make the advantage of tax-free purchase available even to the small manufacturers who stand in greater need of such facility than the comparatively bigger manufacturers who have better financial resources and greater credit in the market. However, it is essential to see that the way to large-scale evasion of tax is not opened by the indiscriminate grant of recognition certificates. As we have stated in regard to the grant of licence and of authorisation mentioned previously, an arrangement which confers the privilege of making tax-free purchases should carry with it adequate safeguards against misuse. Accordingly, we recommend that the grant of recognition certificates should be restricted to only such manufacturers as have a reasonable prospect of continuing in business and therefore of duly accounting for the goods purchased free of tax, which may be ascertainable by reference to the value of their physical capital, references from credit institutions etc., and who can furnish, if called upon to do so, reasonable security in the form of surety or otherwise.

- 5.09** The rules framed under the Bombay Sales Tax Act of 1953 prescribe certificates in various forms for issue by dealers while making purchases of tax-free of tax. It is not normally permitted, except to a very limited extent, to divert goods so purchased for one use to another use although tax-free purchase is permissible for both uses. A grievance has been made that this multiplicity of forms of certificate and the rigidity in regard to the

use of the goods purchased free of tax, introduce unnecessary complications and cause hardships to the dealers without in any way benefiting the public exchequer. We are of the view that the several forms of certificate should be amalgamated into one composite form to be used on all occasions of making tax-free purchases. We also recommend that diversion from one use to another may be permitted so long as monthly reports of such diversion are made to the Sales Tax authorities. In the case of wilful misapplication of goods purchased free of tax, the dealer will be liable to penalty. The onus of proving such wilful misapplication should lie on the administration.

As in the case of the holder of a licence granted at present to a manufacturer under the Bombay Sales Tax Act of 1953 a manufacturer will have to state at the time of applying for recognition the items of goods he will require to buy against it for use in manufacture, processing and packing of goods for sale. We understand that it happens not infrequently at present that a licence-holder finds that he requires for one or the other of the above purposes some material not listed in his licence and that the Department adopts a liberal attitude in allowing the purchase of such materials even if they are not entered in the licence but if they could have been entered for the mere asking. We recommend that similarly it should be provided in the law that no penalty shall be attracted to purchases by a manufacturer of goods genuinely required by him which, though not actually entered in the list in his recognition, could have been so entered for the mere asking.



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CHAPTER VI.

COMMISSION AGENTS.

- 6.01** A section in our Questionnaire dealt with the subject of Commission Agents. A large volume of business is conducted in this State by Commission Agents, particularly in the spheres of inter-State and export trade. It was therefore necessary for us to examine carefully the difficulties felt by this class of dealers under the existing system of tax.
- 6.02** Buying and selling Commission Agents do business on behalf of principals residing in the State or on behalf of non-resident principals. It would, however, be over-simplification to treat Commission Agents as falling distinctly into one or the other of these two broad categories. Thus, the same dealer may act as a buying Commission Agent for a resident principal and a selling Commission Agent for a non-resident principal or *vice versa*, or may act as the consignment agent of one principal and an agent without possession of goods for another. Hence, because of the numerous shapes which the same Commission Agent's business can assume, any one enactment could well have different implications for the same Commission Agent in respect of different transactions. The position is rendered more intriguing when the Central Sales Tax Act of 1956 impinges on a nexus of inter-State transactions involving commission agency. Accordingly, in actual practice the different transactions by Commission Agents have to be considered on the basis of their particular circumstances and the recommendations stated below cover the different types of transactions and their treatment.
- 6.03** The transaction which takes place between a Commission Agent and his principal is not that of a sale or purchase since no property in goods passes from one to the other. Accordingly, on a strict construction, the sale or purchase effected by a Commission Agent on behalf of his principal, is really that of the latter. Therefore, apart from obtaining registration in his own name for business which a Commission Agent may transact entirely on his own account (i.e. other than commission agency transactions), separate registration will be required in respect of the transactions of each of his principals. Such a course of action would cause great inconvenience to Commission Agents and would be likely to impede the smooth flow of trade and commerce in the State without conferring any corresponding benefit on the public exchequer or convenience to administration. Accordingly, the Sales Tax Department has, by executive order, allowed Commission Agents to transact business on behalf of their principals on the strength of their personal registration certificates. We are of the view that this arrangement should be incorporated in the law.
- 6.04** When a Commission Agent purchases goods on behalf of a non-resident principal and takes delivery of them in the State, the sale is completed in the State and will accordingly be taxable even though the Commission Agent may despatch the goods outside the State on the instructions of his principal. This situation arises because the transaction between the Commission Agent and his constituent is not a resale whereas the holder of a licence or authorisation can make tax-free purchases against them

only for the purpose of resale. It is open to the Commission Agent in such a case to purchase goods free of tax on his own account and against his authorisation and licence and actually to re-sell them to his non-resident principal in accordance with the Central Sales Tax Act of 1956; we feel, however, that such a course is contrary to the established trade practice and will be unduly irksome to Commission Agents. We accordingly recommend that Commission Agents should be enabled to make purchases on the strength of their own licences and authorisations for their non-resident principals, using a form of certificate similar to the present K & J Forms prescribed under the Bombay Sales Tax rules and on payment of tax at the reduced rate of 1 per cent., provided that the Commission Agent and his principal are registered under the Central Sales Tax Act of 1956. We also suggest that any such certificate as may be prescribed should not require the Commission Agent to disclose to the vendor in the State the identity of his own constituent.

If the principal on whose behalf the Commission Agent is making his purchases is resident inside the State and holds a licence, the Commission Agent should similarly be enabled to make tax-free purchases on the issue of a certificate similar to that prescribed under the "K" Form.

Tax-free
sales by
Commission
Agents;
payment
of tax by
Commission
Agents.

Commission Agents who make sales inside the State on behalf of 6.05
resident dealers should be enabled to take certificates in the appropriate forms from dealers holding licences or authorisations or recognition certificates. When they do so, they should in their turn give certificates in suitable form to their principals of their having done so, without having to reveal to them the names of their purchasers. This will enable the principals to account satisfactorily for these transactions carried out through the Commission Agents. Normally, the tax on transactions through Commission Agents will be payable to Government by the Commission Agents; they will render certificates in suitable form to their principals committing themselves to pay the tax to Government. The principals will also remain liable under the law jointly with, as well as separately from, the Commission Agents for payment of tax on the transactions effected on their behalf by the Commission Agents; they will accordingly have to include these transactions in their returns of Sales Tax and will be deemed to have discharged their liability to tax on the transactions by the production of the certificates mentioned above given by Commission Agents.

Transactions for Branches and Sales on Consignment

An allied question is that of purchases made by dealers residing in the 6.06
State, for resale or use in the manufacture of goods for sale by their branches located outside the State. The considerations governing the special treatment accorded to Commission Agents who make purchases within the State on behalf of their non-resident principals, apply to these cases too. We therefore recommend that these purchases should be allowed to be made in such a manner as to bear a burden of tax equal to that borne by a similar transaction in the course of inter-State trade. Should the transfer be made after the goods have been purchased

on payment of the full rate of tax, refund of the excess amount of tax paid should be permitted. Similarly, we suggest that where goods have been purchased free of tax on appropriate certificates and have been transferred to branches outside the State for resale or for use in the manufacture of goods for sale, the turnover of the purchaser assessable to State sales tax should be deemed to be suitably increased so as to yield such an amount of tax as would have been leviable from the purchaser on the resale of the same goods in the course of inter-State trade.

- 6.67 Sales on consignment basis through a dealer outside the State are on all fours with transfers to branches outside the State for resale. Accordingly, we further recommend that purchases of goods made for sale through a dealer outside the State on consignment basis, should be treated in the same manner as purchases made for transfer to branches outside the State.



CHAPTER VII.

ADMINISTRATION OF SALES TAX.

Complex nature of Sales Tax administration. The number of registered dealers in Bombay State is nearly 1,20,000. 7.01 They belong to all kinds of trade and industry and to all parts of the State, urban, semi-urban and rural. The trade practices adopted by these dealers are of a wide variety and some of them present great complexity depending upon the nature of their trade, wholesale, semi-wholesale, retail, manufacture, import, export, commission agency, etc. The administration of Sales Tax laws which has to deal with such a large number and variety of tax-payers cannot in the nature of things be quite simple. The Sales Tax Department of the State is of a considerable size; the Collector of Sales Tax controls a subordinate staff of some 2740 gazetted and non-gazetted personnel, a number of whom are newly recruited and are yet to be fully trained. Taking all these factors into consideration, it is understandable that an appreciable number of grievances should be made against the administration of Sales Tax laws in the State.

Framing of Rules. The first executive act performed by Government in pursuance of Sales Tax laws passed by the legislature is that of making rules for carrying out the objects of those laws under the powers given to it by the same laws. A grievance is made in this regard by the dealers and their legal experts, that the power of making rules exceeds the desirable limits of delegated legislation, which should be restricted to procedural matters, and allows an undue encroachment upon the field of legislation proper by creating substantive privileges and imposing substantive liabilities. Attention is drawn to provisions relating, for example, to exemption and set-off, which, it is claimed, should have been provided in the law itself but have found a place in rules. However, in the field of every kind of legislation, and to a greater degree in the sphere of a legislation affecting the economic life of the community, to meet the growing complexities of the present day world, a sufficient degree of elasticity has to be imparted to the legislation so that new situations which require to be tackled in an expeditious manner may not be allowed so to develop, for want of immediate powers under the law, as to harm the economic and financial interests of important sections of the community or the community as a whole. Besides, it is not easy to define strictly where the limit should be put to delegated legislation by executive Government. 7.02

Publication of draft and finalised rules. The powers conferred by the legislature on Government to frame rules generally lay down that such rules shall be subject to the condition of previous publication which may be dispensed with if Government is satisfied that circumstances exist which render it necessary to take immediate action. It has been urged before us that the power to dispense with previous publication is used indiscriminately. It has further been stated that even when prior publication is made, sufficient time is not given to the various interests to consider the draft rules. It has also been pointed out that draft amendments in particular are expressed in such a manner as to make it difficult for the layman to understand their import. We are of the opinion that although the promulgation of rules without prior publication cannot be avoided altogether, it should be 7.03

resorted to as rarely as possible. Adequate time should be allowed to the public in general and trade and industry in particular for considering a draft rule; in fixing the last date for sending to Government the views of the public, the delays occurring in the publication of the notifications in the Government Gazette should be fully taken into account. We have been informed that copies of these notifications are sent to associations of trade and industry soon after they are sent for publication in the Government Gazette. This is a step in the right direction. For the information of such persons who cannot be reached in this manner, insertions may be made in important newspapers published in the several component parts of the State and in the several regional languages, inviting attention to the issues of the Government Gazette containing the notifications. It has been suggested to us that this should be done by printing the notices in a prominent manner under a uniform caption like "ST" so as to draw greater attention, as used to be done by the Rationing Department when rationing of food-grains was in force in the State. We commend this suggestion to Government. We further suggest that this procedure should be followed not merely for notifications containing draft rules but also for those promulgating the rules in their final form and for other important Sales Tax information. Further, in addition to notifications publishing draft amendments which have to be so worded as to meet legal requirements, the entire rule as it will stand after the proposed amendments are carried out should also be publicised for facility of reference by the members of the general public. This should also be done after finally promulgating the amended rule. The "Peoples' Raj" and allied publications of Government should also be utilised for publishing rules and amendments both before and after their finalisation.

- 7.04 The average tax-payer is ordinarily unable to keep pace with the changes which take place in the rules. In spite of the measures that Government may take to arouse their interest in proposed new rules or changes in existing rules as suggested by us, it may be that there will be little response from such persons or none at all. We suggest, therefore, that Government should refer all proposals for changes in Rules or for the introduction of new Rules, to the Sales Tax Advisory Committee the appointment of which at the State level we have recommended elsewhere. Constituted as this body will be of a small number of persons representing, among others, trade and industry, and the Legal and the Accountancy professions, it will be able to make useful contribution to the process of framing of rules. Consulting of Sales Tax Advisory Committee.

- 7.05 More fundamental is the criticism that the Act as well as the rules are changed too frequently. Sales Tax being a measure of comparatively recent origin in India, States find it necessary to make improvements in them at intervals. Further, the overwhelming importance of the tax in the fiscal arrangements of all the States and more so for Bombay State as is evidenced by the size of the revenue derived from the tax and also the relative position thereof compared to revenues from other sources, make it necessary for the State Governments to have greater recourse to Sales Tax for meeting the growing requirements of State expenditure, particularly in the field of development. It is apparently for this reason Frequent change of law and rules.

that it has not been possible for Government to arrive at a stage when even the fundamentals of the basis and structure of the tax have come to acquire a permanency. We hope that the recommendations we have made in this regard will provide Government with a lasting basis for a tax system and with a structure which will be relatively less liable to modifications.

Multiplicity and complexity of forms.

The relative multiplicity and complexity of the various forms that dealers have to fill in compliance with the tax system, have also given rise to criticism of the tax system obtaining in the State, particularly in the pre-Reorganisation Bombay State area. It is said that many of these forms are too difficult to understand and therefore compel the dealers to seek the assistance of taxation experts who charge from them not a small price for the services rendered; they also make it necessary for the dealers to maintain elaborate accounts and registers and to exchange a plethora of certificates and declarations, all of which impose a considerable financial burden on them. A number of these forms have been devised primarily to give effect to the concessions provided by law and rules in such a manner that the objects thereof can be gained without at the same time giving scope for taking undue advantage of the concessions by dealers who may not be eligible for them. Further, important sections of the mercantile community feel that the evidence required in support of the claims to exemptions and concessions under the law and rules is too elaborate and is of too high a standard. It has also been stated that because of the difficulty in proving these claims, many dealers who are eligible for these exemptions and concessions prefer to forgo them entirely or substantially, so that for them these facilities provided by the law and rules remain only on paper. **7.06**

Multiplicity and complexity of forms arise primarily from the relative complexity of the basis and structure of the tax system. In the system of tax recommended by us very little scope for grievance in this regard will have been given. A certain amount of difficulty is bound to remain because of the concession of tax-free purchase; remission of tax under certain circumstances and exemption of tax in respect of certain goods under due safeguard are also likely to cause some inconvenience to the mercantile community. We have tried to keep the comparatively small dealers as free from such inconveniences as possible; such inconvenience as will be felt by comparatively bigger dealers will not, in our opinion, impose too heavy a burden on them, either procedural or financial. **7.07**

Forms prescribed under Exemptions, Set-off and Composition Rules.

We have reviewed the forms prescribed under the three sets of Rules framed under the Bombay Sales Tax Act of 1953 to ascertain how many of them can be dispensed with altogether in our system of tax and in what ways those which must be retained can be improved. Forms 13 and 14 prescribed under the Bombay Sales Tax (Exemptions, Set-off and Composition, Rules 1954 already stand deleted. In our system, forms I, 1A, 4B, 6A, 6B, 7, 8, 9A, 9AA, 10 and 12 will also be deleted. We may point out in this connection that Forms 10 and 12, which relate to the grant of set-off, have given rise to more grievances than any other form prescribed under the Bombay Sales Tax Act of 1953. **7.08**

Forms 3, 4, 4A, 5, 6, 6-1B, 9, 11, 15 and 16 will find a place in the new system. Form 6-1A will cease to be a separate form; it will be amalgamated with Form 6. Form 15 will require to be improved in that in its wording it requires to be made clear that tax will be payable by a dealer issuing a certificate in that form only when the circumstances are such that liability to tax is attracted.

Arrangements for set-off of tax paid on purchases have been generally avoided in our system of tax. However, in certain limited circumstances set-off will have to be claimed, for example, when a manufacturer buys his requirement of goods from a person who has already paid the tax thereon, or in the case of a dealer who purchases goods on payment of tax and then sells them in the course of export or inter-State trade. The dealers who will do so will have to prove their claim for set-off by the production of suitable evidence of payment of tax. One of the difficulties under the existing rules felt both by dealers and Government in the matter of grant of set off is that differences arise between dealers and the assessing authorities as regards the genuineness and the completeness of the documents supporting the purchase accounts of the dealers. Such a difficulty is bound to continue in some measure even in the new system. A reasonable standard of proof has to be insisted upon by the assessing authorities in order that the public exchequer may not suffer from a too easy acceptance of doubtful claims, sometimes made easier by the collusion of corrupt officials. Accordingly, we suggest that documents complete in respect of all such particulars as are looked for by the Sales Tax administration, including a clear statement of the specific amount of the price paid and of the sales tax charged by the vendor, should be produced before the taxing authorities in support of claims for set-off. In view of the fact that trade and industry have generally become used to this requirement, we hope that it will not be difficult for them to come up to our expectations in this matter.

- 7.09 Form C prescribed under the Bombay Sales Tax (Registration, Licensing and Authorisation) Rules, 1954, already stands deleted. Forms M, N, NN, NA and NB will, further, be deleted in our system. Considering that trade and industry have found it difficult to maintain registers in forms NA and NB, which relate to the proof of despatch of goods purchased on Form J to destinations outside the State, the deletion thereof should confer a welcome benefit on them, since adequate proof in this matter should be forthcoming from their regular accounts and records.
- Forms
prescribed
under
Registration,
Licensing and
Authorisation
Rules.

As at present worded, Forms A and D require a dealer to specify therein the exact amounts of his turnover of sales and of purchases in respect of specified years of account. It has been brought to our notice that dealers often find it difficult to give accurate figures of their turnovers although they can with comparative ease state truthfully that their turnover is above the prescribed minimum turnover. It confers no advantage on the administration to obtain information through these forms as to the exact amount of a dealer's turnover. In the circumstances, we recommend that these two forms should be so revised as not to require the dealers to specify the amounts of their turnover but only to

state that their turnover is in excess of the minimum prescribed for registration. Further, many of the points of information that are embodied in Form E are repetitions of those contained in Forms A and B. It should be possible to eliminate these unnecessary entries.

Certificates in Forms J, K and L should be combined into one; a dealer 7.10 issuing a certificate in this combined form, should score out the portions therein which are not applicable to the transaction to which the certificate relates. We have elsewhere recommended that this form should be supplied by Government after printing under security conditions on specially water-marked paper. We further suggest that, as in the case of Form C prescribed under section 8(4) of the Central Sales Tax Act of 1956, it should be permissible for a dealer to cover under one and the same certificate issued in this revised form, a number of different transactions carried out during a prescribed period or not exceeding in total value a specified amount. This will reduce clerical work on the part of the dealer issuing the certificate and lighten the receiving dealer's burden in regard to safe custody of certificates; Government also will have the advantage of having to print and supply fewer forms.

Forms B, EE, EE-I, F, G, H, I and O will be required in the new system of taxation.

Forms
prescribed
under
Proce-
dure
Rules.

Forms V, VI, VIII, IX and XVI prescribed under the Bombay Sales Tax 7.11 (Procedure) Rules, 1954, already stand deleted. Forms III, IV, X and XII will cease to be necessary under the new system. Rules 11 and 14 of these Rules should be suitably amended in pursuance of the deletion of Forms X and XII.

Form I, which is the form of submission of periodical returns of Sales Tax, will require to be considerably modified to suit the new system of tax that we have recommended. For facility of tax-payers and also for reasons of administrative convenience, we suggest that this form of return should be substituted by two forms, one of which will be used by dealers liable to pay the Retailers' Turnover tax and the other will be for use by other categories of dealers. We do not see that in either of the two forms there will be any need for the particulars stated in Part IV of the present Form I. For the convenience of tax-payers we suggest that at the foot of every page of these two forms notes may be given indicating the sections of the Act and the Rules framed thereunder which are relevant for the purpose of the respective entries in the form appearing on that page.

In Forms VII and XXI, there is a recital relating to the penalty for non-compliance. Such recital causes unnecessary annoyance to the tax-payer 7.12 without giving to the administration any corresponding advantage. We suggest that the recital may be deleted from each of the forms; the sections of the Act laying down the penalty for non-compliance may with advantage be printed in full at the back of these forms for the information of such of the dealers as may not be aware of the consequences.

- 7.13 Form XIII is a combined form of notice relating both to the appearance by a dealer for assessment after submission of return and to the failure to submit such return or to obtain registration under the Act. We think that it will be more appropriate and administratively more convenient if two separate forms are prescribed for these two different purposes.

In the same way as in the case of the form prescribed for submission of periodical returns, Forms XV and XVII, which relate to assessment of tax due, will require to be suitably revised so as to conform to the new system of tax.

- 7.14 A good deal of the information required to be furnished in Forms XXII and XXIII would appear in the certified true copy of the assessment order which has to accompany the appeal and revision applications in these two forms. No useful purpose is served by the repetition of all these points of information. These two forms can therefore be considerably simplified by the omission of these points.

- 7.15 Forms on the lines of the present Forms II, XI, XIV, XVIII, XIX, XX, XXIV, XXV, XXVI, XXVII, XXVIII and XXIX will be required in the new system.

- 7.16 Eight of the forms originally prescribed under the rules framed under the Bombay Sales Tax Act of 1953, already stand deleted today. The number of forms remaining in force is sixty-seven. As a direct result of our recommendations twenty-one out of these sixty-seven forms will be deleted and three fresh ones will be added. The number of the forms which will remain will therefore be forty-nine as against the sixty-seven in force today. Reduction of the number of forms.

- 7.17 The implementation of the new system of tax proposed by us may require the prescribing of a few fresh forms. We have not tried to devise them ourselves nor to indicate how many such forms will be necessary. However, since our system itself will be relatively simple, we are of the view that Government will not have to prescribe many additional forms, nor any complicated ones, for the purpose.

- 7.18 The rules framed under the Bombay Sales Tax Act of 1953 are grouped together into three sets according to the principal subjects to which they relate, namely, (1) Procedure ; (2) Registration, Licensing and Authorisation ; and (3) Exemptions, set-off and Composition. This grouping of the rules into three sets, appear to be advantageous from a scientific and other stand-points. However, an average dealer is not generally so proficient as easily to make cut in respect of a given problem, to which particular set of rules he should refer for information on the point. The division into these separate sets of rules merely confuses him. We accordingly recommend that the three sets of rules should be combined into one set. The rules so combined may be grouped into separate chapters ; however, they should be given numbers according to one running serial order. The forms prescribed under the rules should also cease to be indicated by numbers given in three separate serial orders ; they may be given numbers according to one single serial order. A single set of rules and forms.

Comple-
xity of
accounts.

The multiplicity of rates of tax levied on different commodities and the grant of exemptions and concessions in respect of a large number of them, can give rise to a considerable degree of complexity in accounts maintained by dealers. The sales of a dealer have to be classified into those of exempted commodities and those of taxed commodities and the latter have to be further classified according to the rate of tax applicable to each class of goods. When goods or transactions are exempted, or concessional rates are charged on sales, on fulfilment of specified conditions, proof of such fulfilments has to be produced. Accounts kept in the usual course of trade do not suffice for this purpose; additional accounts have therefore to be maintained which involve not merely additional clerical labour and expense, but sometimes considerable complexity in the accounting system of the dealer. We have been shown in this connection specimens of accounts maintained by certain dealers; they are quite elaborate and no doubt entail substantial additional expenditure. In devising the composite system of tax recommended by us, we have kept in view the need to simplify the accounting requirements of the tax. Accordingly, we have avoided the imposition of different rates of tax related to different prices charged for the same commodity. Further, bearing in mind the entire groups of commodities dealt with by the main categories of dealers, we have so arranged that although a multiplicity of rate of tax will not stand eliminated under our system, the main categories of dealers will not be subjected to more than two or three different rates of tax applicable to the groups of commodities generally sold by them. Besides, it is only at the stage of the first sellers, whose number is comparatively small and who can usually engage more staff and spend more money to cope with accounting complexities, that we have suggested a diversity of tax on different commodities; the levy at the last-point of tax has been kept mostly at 2 per cent. Further, the smaller dealer has generally been eliminated from the scope of the tax except for such of them as will be liable to pay the retailers' turnover tax; this tax is so simple that it will call for the maintenance of very little special accounting.

7.19

Clarity
and preci-
sion in
law.

Complaints are sometimes made of lack of clarity and precision in the language of the law. Ambiguity of the language used to describe goods included in the list of exemptions and goods which are liable to special rates of tax, concessional or otherwise, can cause not a little amount of hardship. The phraseology adopted should not only make a clear statement of the law, but should also have direct relationship with terms used in business practice and should never lose sight of practical considerations which are bound to arise in the implementation of the law. We have in this context considered whether some of the existing definitions contained in the Bombay Sales Tax Act of 1953 cannot be improved, and, in particular, whether the judicial decisions which have been given with regard to the true construction of some of these definitions cannot be embodied in new definitions so as to bring out more clearly the intended meaning of the various terms defined. We have, however, refrained from suggesting action in this direction for the reason that the terms employed in the existing law have come to acquire certain fairly precise connotations through interpretations placed on them in departmental proceedings and in the course of judicial pronounce-

7.20

ments. The comparatively stable position so reached should be disturbed by an attempt at new phraseology. That such an attempt will succeed in giving better expression to the legislature's intentions as interpreted by judicial and quasi-judicial authorities, is itself not a safe assumption to make. Besides, a new phraseology will give scope for fresh differences of opinion and may lead to fresh litigation. We may only notice in this connection that in the Kutch, Vidarbha and Marathwada laws, transfer of property in goods involved in the execution of a works contract constitutes a sale. The Supreme Court in its recent judgement in the case of the State of Madras V. Gannon Dunkerly and Company (Madras) Limited, has held a similar provision in the Madras law to be *ultra vires* the State Legislature. We accordingly suggest that the definition of sale contained in the Bombay Sales Tax Act of 1953 which does not suffer from this defect, should be adopted and that to remove any doubts that may still exist, the law should specifically exclude such transactions from the scope of the definition of 'sale'. One other suggestion that we make in this connection is that the definition of 'sale price' or 'purchase price' should make it clear that such price includes both the prices of materials supplied as well as the charges for services rendered thereunder, even though they may be shown separately in the bills and accounts, as in the case, for example, of gold and silver ornaments, jewellery, clothes made to order by tailors, etc. This will set at rest all doubts and difficulties arising in this connection. Further the law should provide that whenever a commodity can reasonably be held to fall under two or more different entries in the schedule of taxed goods, the lowest of the several rates of tax specified against these items will be applicable to the commodity, unless the contrary is stated in specific terms. The same should be the principle if a commodity falls under an entry in the list of taxed goods and again under another entry in that of exempted goods.

- 721 The provisions contained in the Bombay Sales Tax Act of 1953 and the rules framed thereunder relating to submission of returns have come in for criticism. It has been stated that the time allowed for submission of periodical returns and for revised returns is too short. It is also suggested that the submission of quarterly returns should be dispensed with and that, following the example of the Income-tax law, an annual return should be prescribed although payment of tax may be made quarterly on the basis of the previous year's liability or of the estimated turnover of the quarter. We have not found it possible to accept these suggestions. The turnover of sales may vary appreciably from period to period within the same year; besides, the proportion of turnover in taxable goods and that of exempted goods, and even that of goods taxed at different rates, may not remain the same during the several periods of the year. We have, therefore, thought fit not to suggest a change in the existing system of submission of quarterly returns. However, in relaxation of the existing provisions, a period of a month and a half may be allowed for submission of the return after the expiry of the quarter; this should be exclusive of any further grace period that Government may give, as is the present practice. Unlicensed retailers who are not manufacturers should have the option to submit an annual return; however, they will pay tax in quarterly instalments. If in a quarter no tax

is payable by such a dealer, he should send an intimation to that effect. The time allowed for submission of the annual return should be two months from the close of the year ; a further grace period may be allowed by Government. The time limit for submission of a revised return may be extended to six months.

Delegation of powers.

The administration of sales tax laws requires the exercise in varying **7.22** degrees of powers of different kinds by different categories of officers. An element of discretion frequently enters into the exercise of these powers. They relate to estimating of turnover of the tax-payers and of the composition of such turnover in terms of transactions in taxable and non-taxable goods or of goods taxable at different rates, compulsory production of books of accounts and records including books and records even of dealers who are not themselves liable to pay tax, inspection of books of accounts and other records at dealers' premises, search of such premises including, on occasions, residential premises where books and other records of business may be concealed, seizure of books of accounts and records and determination of disputes as to liability of a dealer to register and of a sale or purchases to tax, etc. Under the Bombay Sales Tax Act of 1953 these powers are expressed to be exercised by the Collector of Sales Tax and such other persons as may be appointed to assist him and to whom such powers may be delegated. It has been suggested by some that the law itself should lay down the extent of the powers which should be exercised by different categories of officers and that the matter should not be left to be decided by purely executive action. It has not, however, been contended, nor has it been brought to our notice, that there has generally been an abuse or lack of care in the exercise of these powers by the categories of officers to whom they have been delegated. We do not therefore see that there is any need to suggest a departure from the existing position in this regard.

Statutory interpretations.

In regard to the determination of questions under section 27 of the **7.23** Bombay Sales Tax Act of 1953, we have been informed that delays occur in giving statutory interpretations by the Collector or Additional Collectors of Sales Tax who are vested with these powers. It has also been suggested that the scope of the section should be widened so that if an assessee wants to have an interpretation on a matter covered by section 27 even though it has already come up in an assessment proceeding, he should be able to obtain the Collector's interpretation thereon ; this would save him from recourse to the relatively dilatory process of going in appeal. We apprehend that if this suggestion were accepted it would give rise to many applications under this section. The remedy of seeking redress in appeal proceedings is quite adequate. We would also suggest in this connection that a convention may be established in order that differences arising at the stage of assessment may be taken informally, either by the assessing officer or by the dealer, to the Assistant Collector holding administrative jurisdiction over the assessing officer, for obtaining the benefit of his knowledge and greater experience, though the assessing officer will not be bound by the Assistant Collector's opinion. This will itself provide a part solution to the assessee's difficulty and curtail the appellate work.

- 7.24 As regards the grievance of delay in giving interpretation, we have been informed that normally thousands of queries are attended to by the Collector and Additional Collectors of Sales Tax with promptness; but there may be certain hard cases where consultations with higher Government officers and obtaining of legal opinion, may have been felt necessary and may have led to unavoidable delays. We have also been informed that queries both informal and those made under section 27 are sometimes so worded as not to bring out clearly the full facts of the case. Accordingly, the Collector has often to ask for further facts and in the process of correspondence arising therefrom, it sometimes happens that it is quite long after the date of the original query that the decision is given.

In this connection we have also been asked to recommend that even in hypothetical cases, the right to obtain interpretation should be provided for by statute. We are of the view that such a proposal is not justifiable and, moreover, if implemented, it is likely to result in a very difficult position for the Department. However, well established organisations of trade and industry may be given the opportunity for getting clarification of their doubts.

- 7.25 No specific suggestions have been received by us for extension of the scope of statutory interpretations beyond the four points on which such interpretation is at present given. It has, however, occurred to us that in addition to these four points, it should be possible for a person to obtain a ruling of the Collector or an Additional Collector on the rate of tax applicable to a particular transaction and the amount of tax calculated at that rate. The Collector of Sales Tax has no power under the present law to refer to the Sales Tax Tribunal a question which has come to him for determination under section 27 of Bombay Sales Tax Act of 1953. An interpretation given under that Section by the Collector of Sales Tax is, however, appealable to the Tribunal. We feel that it will help in obtaining quicker authoritative interpretation if the Collector of Sales Tax is empowered to refer to the Tribunal in his discretion a question which has come to him for determination under section 27. We accordingly recommend that due provision to this effect may be made in the law.

- 7.26 The Committee's attention has been drawn to delays in work of the Sales Tax Department, particularly in the work of assessment. Delay in assessment compels a dealer to remain in a state of uncertainty about his liability to tax for an unduly long time and causes inconvenience in the matter of distribution of profits of the business. The preservation of accounts and records for a long time which becomes incumbent on the dealer on account of delay in assessment can also cause serious inconvenience. Further, as time elapses, it becomes difficult to produce supplementary evidence in support of set-off, exemption and other benefits claimed and also to obtain attestations, declarations, certificates, etc., for correcting technical errors. From the point of view of administration also such delays are undesirable. Prompt assessment acts as a check on evasion of tax; a delay in assessment enables a dishonest dealer to shift his business from place to place or to disappear altogether in order to escape liability.
- Delays in
work of Sales
Tax Department;
arrears of
assessment.

Statement I appended to this Chapter shows the position as regards delay in assessment in the original Bombay State area from 1950 to 1958. For the other areas of the State, figures showing the position as on 31st March 1958 are alone available and have been shown. It will be seen from these figures that in the pre-Reorganisation Bombay State, the arrears have been fairly high until the financial year 1955-56 which opened with a balance of 77,513 undisposed assessment cases which was considerably smaller than the corresponding figures of previous years. This position was further improved next year when the arrears went down to 60,328. After Reorganisation, however, the position seems to have got worse; the closing balance of 1956-57 increased to 73,225 and that of 1957-58 increased still further to 1,00,825. We are informed that the reason for this rise in arrears is that during these two years most of the assessment cases completed arose under the two-point system of taxation which took longer time. In the composite system of tax, which will effect a considerable simplification in various directions, the progress of assessment will be speedier than under the two-point system. Before assessment under the new system has become due Government will have to take steps for clearing of arrears accumulated under the present comparatively complex system. Arrears outside the pre-Reorganisation Bombay State area are also heavy and will require to be cleared speedily. We hope that Government will be in a position so to arrange that barring cases which are held up on account of judicial proceedings all arrears of assessment will be wiped out within a short period. We further recommend that it should be seen that fresh assessments are completed as soon as possible after the tax-payer is in a position to produce accounts and documents for scrutiny. We have received suggestions in this connection for laying down statutorily the period within which assessment must be completed. We have, in the context of the improving position in this respect as well as the special difficulties of complying with such a requirement in a comparatively new tax system, thought fit not to make such a recommendation.

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7.27
 Apart from delays, considerable difficulty is felt by dealers in the matter of assessment on account of certain procedural and other practices which can be avoided. More than the number of tax-payers that can be tackled in the course of a day, are usually called to appear before the assessing officer on each day; this is done taking it into account that normally a number of tax-payers will remain absent. However, if on a day all the tax-payers who are called, do actually turn up, some of them have to return without their assessment work having been attended to. This causes justifiable annoyance and also some amount of financial loss on account of the cost of the infructuous journeys and the wastage of time. The annoyance can be still greater if the dealer is kept waiting for the best part of the day and is told only towards the end of the day that he has to come again. The alternative to this is to call only that number of tax-payers which can be fully dealt with by the officer in the course of a day. No doubt, the eventual absence of some of the tax-payers and also the need to give adjournment to some of them who have appeared, to enable them to produce, at a later sitting, accounts and documents the need for which was not foreseen and also in order that they may rectify technical defects and supply deficiencies found in the books

and documents brought, are likely to leave some idle time with the officers. All the same, the advantage gained will, in our opinion, be considerable ; the idle time of the officers can be used for looking after routine office matters for many of which they do not normally seem to find time.

- 7.28 It has further been stated before us that the assessing officers do not keep themselves in readiness for the work of assessment by a prior study of the dealers' returns and other documents already filed with them. Tabulations of a clerical nature which are made from returns are not commenced and the fact that chalangas and other documents may be missing from a dealer's file is not noticed till the scrutiny of the accounts of the dealer has been taken up after he has appeared before the assessing officer. All this results in avoidable wastage of time both of the assessing officer and of the tax-payer. We therefore recommend that the assessing officer should make himself thoroughly acquainted with all aspects of an assessee's case and complete all preliminary work relating to assessment which can be done in the absence of the assessee, in advance of his appearance before him. We have elsewhere stressed the need for removing the impression from the public mind that the Sales Tax Inspector is the pivot of the system of assessment. The greater the degree of understanding of an assessee's case shown by a Sales Tax Officer, the greater will be the result achieved in that direction. The assessing officers should also keep themselves acquainted with the comparatively intricate practices followed by various trades and the changing fortunes of such trades over periods of time so that they will be the more able to size up properly the true nature of the transactions entered into by a dealer and to estimate correctly, when called upon to do so, the volume of a dealer's turnover. In this way an assessing officer will succeed in realising the dues of Government more efficiently and will at the same time avoid causing harassment to the dealers by seeking unnecessary clarifications and by asking for production of evidence which may be dispensed with.
- 7.29 There is a tendency on the part of some officers to allow adjournments ^{Adjournments.} too readily. At the other extreme are the officers who refuse to give adjournments even in fit cases. We would recommend the avoidance of extremes of both types. Adjournments should not be given too readily, for example, merely to convenience a dealer or his authorised agent ; at the same time due opportunity should be afforded to the dealer to produce further evidence or to supply deficiencies in evidence already produced, by adjourning the case to a fresh date.
- 7.30 We have also been told that cases are sometimes adjourned with the intention to harass a dealer by making him come to the Sales Tax Office off and on and in the meantime his business suffers. The scope for such harassment is greater in rural areas where a dealer has to travel comparatively long distances in order to appear before the Sales Tax Officer.

As this is a complaint commonly heard, we took the opportunity of our visit to the Sales Tax Offices at Poona to determine by reference to the records of cases whether the complaint could be substantiated. Some 50 cases assessed during one month were examined by some of us. The impression that we gathered was that the dealers concerned had not to

attend at the office either unduly frequently or for an unnecessarily long time. During a surprise visit paid to the offices in Bombay, when some of us had the opportunity of questioning a few dealers directly on this point, they said that they had not been kept waiting unnecessarily.

At our instance information was collected by the Sales Tax Department for the month of September 1957, which was chosen at random for the purpose, to ascertain the position obtaining in this respect in Bombay City. It was found that out of 1645 assessment orders passed in Bombay City during that month, orders were passed in 398 cases (i.e. 24.2 per cent. of cases) at the end of the first sitting and in 546 cases (i.e. in 33.2 per cent. of cases) at the end of the second sitting; in the balance of 701 cases (i.e., 42.6 per cent. of cases) it took three sittings or more before assessment orders were passed. Of these 701 cases, in 186 cases (i.e. 11.3 per cent. of cases) it took longer than two sittings because the cases were heavy or complicated; in 18 cases (i.e., 1.1 per cent. of cases) passing of orders was postponed for administrative reasons; in 240 cases (i.e. 14.5 per cent. of cases) adjournments were granted at the instance of the dealers. In the remaining 257 cases (i.e. 15.7 per cent. of cases), more than two sittings were required because Sales Tax Officers could not deal with all dealers who were called and remained present. This is not so bad a picture as was drawn by some of the persons who gave evidence before us. We consider none-the-less that Government should be able to make further improvement so as to leave no reason for complaint.

procedure
assessment;
appeal
orders.

Difficulty is felt by tax-payers for the reason that they are not given 7.51 to understand in writing the points in respect of which their accounts and returns have been found to be deficient in the course of the assessment proceedings. We suggest that an opportunity should be afforded to the tax-payers to present their point of view adequately by giving them a written statement before the final order of assessment is passed by the assessing officer. Such officers should also fully discuss in their assessment orders the points made by the dealers by way of clarification and submission and state clearly the reasons for their rejection or otherwise. The latter part of our recommendation should apply also to orders passed by appellate officers. An impression has been created in the minds of the tax-paying public that the subordinate officers of the Department are discouraged from applying their minds to the matters coming up before them whether during assessment or in appeal and are guided mostly by departmental instructions, many of them described as secret circulars. This creates a sense of the futility of making submissions before the subordinate officers. We are given to understand that no instructions are issued to the subordinate officers of the Department having an importance for the tax-paying public, which are not at the same time published in a suitable form for general information or for the information of trade and industry. We believe that the failure on the part of the assessing officers and the lower appellate authorities to discuss in their assessment or appeal orders the various issues placed before them by the tax-payer or his authorised agent, is largely responsible for creating an incorrect impression and our recommendation in this regard will go a long way in removing it. It is not also unlikely that some of the appellate officers,

who may not wish to take upon themselves the odium of an unpopular decision, may let it be believed that, while they would like independently to decide in favour of the appellant, departmental instructions, specific or general (which do not in fact exist) prevent them from doing so. Such a tendency on the part of officials is to be severely deprecated, but, if it does exist, the dealer could not be blamed if he were to hold an erroneous view that his case would have been disposed of differently but for the supposed instructions from the higher authorities.

- 7.32 A copy of the assessment order should, as a matter of routine, accompany the notice of demand sent to an assessee after the work of assessment has been completed. This will involve some additional clerical work, and result in some increase in expenditure. Both will, in our opinion, be fully justified. Supply of assessment order.
- 7.33 Correct behaviour on the part of personnel of all categories of the Sales Tax Department towards assessees and the public in general, is a matter of great importance. No specific case of discourtesy or inconsiderate treatment was actually brought to our notice, but it is not impossible that the personnel coming into contact directly with the public, particularly the less responsible and lower paid authorities, are not always as tactful and courteous as they should be in their dealings with the public. It is also not unlikely that there is a lack of helpfulness in the approach of some of the authorities concerned to the difficulties of the individual dealer coming before them. On the other hand, we can visualise a situation where a comparatively junior official is called upon to face an assessee who is a little "difficult". A mutual understanding of the respective roles of the officials and the members of the public will improve matters generally. None-the-less, it should primarily be the duty of the personnel of the Sales Tax Department to set an example of courteous behaviour so as to secure similar response from members of the public. Courteous behaviour.
- 7.34 A word may also be said at this stage about an ancillary matter. All the Sales Tax Offices in important commercial centres like Bombay and Ahmedabad should be located at one and the same place, which also be centrally situated so as to be convenient for the dealers to attend. Office accommodation and amenities. This will be an advantage also to administration in that the delay which at present occurs to some extent in the transmission of records and documents from one branch or office of the Department to another, will be largely eliminated. Suitable office accommodation should be provided at other places as well. There should be sufficient space at these offices so as to prevent congestion of dealers at the tables of Sales Tax Inspectors in the course of scrutiny of their accounts in order that the secrecy of the proceedings may not be violated. There should also be separate waiting rooms for dealers and for members of the Legal and Accountancy professions and Sales Tax Practitioners to sit. We have found that some of the existing Sales Tax Offices, particularly those in Bombay City, present a very shabby appearance on account of the congestion and also of the unsuitability of the premises for the purpose of locating the offices. Such a state of affairs should be avoided. Better premises should be found for these offices; they should be provided with facilities like adequate number of telephone connections, supply of drinking water, canteens,

suitable sanitary arrangements, etc.

Arrears
of
appeal
cases.

Some of the views placed before us characterise the appeal procedure prescribed under the Bombay Sales Tax Act of 1953, as dilatory. It is stated that an unduly long time is taken in the disposal of appeal applications. Table 1 given below shows the position in this respect from 1955-56 to 1957-58 :—

7.35

TABLE 1.

Statement showing the number of appeals received and disposed of during each year by Assistant Collectors/Deputy Commissioners/Assistant Commissioners of Sales Tax.

Area.		Year.	Number of appeals pending at the beginning of the year.	Number of appeals received during the year	Number of appeals disposed of.	Number of appeals pending at the end of the year.
1		2	3	4	5	6
pre-Reorganisation State/such area of Bombay State.	Bombay	1955-56 ..	8,660	11,808	7,227	13,241
	present	1956-57 ..	13,241	14,114	9,261	17,994
		1957-58 ..	17,994	7,986	14,357	15,623
Other areas of present State.	Bombay	1957-58 ..	5,555	4,559	4,704	5,410

It is seen from these figures that accumulation of an appreciable number of appeals has taken place in spite of the large number of appeals disposed of annually. The saying that "justice delayed is justice denied" is not inapplicable to such a situation. We recommend that the number of appellate officers should be suitably increased so as to improve the speed of disposal of the appeal applications.

Payment
of tax
before
admission
of appeal.

A grievance has been widely made in this connection on the score of the refusal by appellate authorities to admit appeal applications unless the full amount of the tax assessed has already been paid. We have found that it has long since been permissible for appellate officers to admit appeals without payment of the amount of tax assessed or on payment of a smaller sum. It may be that in some cases for want of powers to take adequate security from the appellants against non-payment of the tax assessed appellate officers have been hesitant in exercising these powers. Since 1957 this position has been remedied through an amendment which enables the appellate officers to take adequate security against non-payment of tax when admitting an appeal without payment of the tax assessed or on payment of a smaller sum. We hope

7.36

that the appellate officers will act in this matter in the spirit in which the amendment has been made so that no scope may remain for reasonable grievance.

- 7.37** A question has been raised before us as regards the propriety of the existing arrangement under which some appellate officers have administrative duties in addition to their appellate functions. Objection has also been taken that these appellate officers are under the administrative control of the head of the Sales Tax Department. It is urged that in these circumstances the judgment of these officers is likely to be influenced by revenue considerations. In this connection we have made a statistical examination of the working of the appellate machinery in the pre-Reorganisation Bombay State area which is embodied in Statement 2 appearing at the end of this Chapter. It will be seen from these figures that in as many as 51.30 per cent. of cases the orders of the assessing officers have been reversed by the departmental appellate authorities. The relief in terms of the money value of these cases also works out to approximately the same figures. It cannot thus be concluded that there has been any material denial or miscarriage of justice under the existing system. Having regard to the present size of the Department, we feel that an arrangement under which a separate cadre of appellate officers can be created, will not work satisfactorily in view of the limited field of choice provided for selection of such officers and the restricted prospect of promotion to higher ranks offered to such officers on specialising for appeal work. It should, however, be possible for the Department to separate appeal work completely from administrative work. At present out of 20 officers of the rank of Assistant Collector/Deputy Commissioner/Assistant Commissioner holding appellate jurisdictions at various places in the State, 14 have such jurisdiction exclusively and six do so in combination with administrative jurisdiction. The separation of administrative jurisdiction from appellate jurisdiction in six cases which the carrying out of this recommendation will involve, will result in a small additional burden on the Department in terms of personnel or financial expenditure. At the same time we recognise that appellate officers, who should be persons of some experience and standing, cannot, be appointed save from the ranks of senior assessing authorities. We are given to understand that as a result of the rapid expansion of the Department which has taken place, shortage of senior assessing authorities is already being experienced and it must be recognised that it is only with great difficulty that suitable personnel can be found for appointment as additional appellate authorities.

- 7.38** The provisions for appeal and revision contained in the Bombay Sales Tax Act of 1953 have also been criticised for being dilatory in having interposed the stage of the Collector of Sales Tax or that of an Additional Collector of Sales Tax between that of the first appellate authority and the Sales Tax Tribunal. It is not, however, the case that the interests of justice have suffered materially by this interposition. Table 2 below gives figures of the cases in which assessee's contested before the Sales Tax Tribunal the orders passed by the Collector of Sales Tax or by Additional Collector of Sales Tax during 1955-56 :—

(G.C.P) L-A H 2487—5

TABLE 2.

Statement showing the number of Revision Applications disposed of by the Sales Tax Tribunal in 1955-1956 in pre Reorganisation Bombay State.

Years.	No. of applications disposed of.	Number dismissed or rejected.	Number allowed partly.	Number allowed in full.	Number withdrawn.	Number remanded for further enquiry.	
1955-1956	...	324	209	14	19	12	70
Results of revision applications before Sales Tax Tribunal.							
Number of orders of Collector of Sales Tax—							
(i) upheld by the Sales Tax Tribunal entirely				...	...	64.51 per cent.	
(ii) Modified by the Tribunal				...	...	4.32 per cent.	
(iii) Set aside or remanded by the Sales Tax Tribunal for further enquiry.						21.61 per cent.	

It is seen from these statistics that in as few as 33 out of 324 cases disposed of by the Tribunal the orders passed by the Collector of Sales Tax or by Additional Collectors of Sales Tax have been reversed by the Sales Tax Tribunal in full or in part and that in as many as 209 cases these orders have been confirmed; out of the rest, 70 have been adjourned for further enquiry and 12 have been withdrawn. However, it is stated that although these arrangements may not have led to injustice, they have acted to the detriment of those who had a case against the settled policy of the Department as expressed in existing departmental decisions or orders and would have liked to test their validity by going to the highest appellate Tribunal in as expeditious a manner as possible. To meet this view point, we suggest that it should be made possible for a taxpayer who is aggrieved by an order passed by an appellate Assistant Collector, to go in second appeal directly to the Tribunal if he chooses or, as an alternative, to seek redress at the hands of the Additional Collector or the Collector of Sales Tax. Should he choose to go in revision to the Additional Collector or the Collector of Sales Tax, no further remedy by way of appeal to the Sales Tax Tribunal or by way of a statement of case to the High Court in the manner prescribed in section 34 of the Bombay Sales Tax Act of 1953, should be available to him. The original orders passed by the Collector or an Additional Collector of Sales Tax should, of course, be appealable in the usual manner to the Tribunal.

Independence of Tribunal.

It was urged before us that the fact that it is appointed by the same Secretariat Department of Government which is responsible for the administration of the Sales Tax laws through the Sales Tax Department, creates doubts about the independence of this highest Tribunal. The independence of the Sales Tax Tribunal is fully safeguarded by the facts that Government cannot interfere with the decisions of the Tribunal and that the members of the Tribunal cannot be removed from their office during the tenure of their appointment. The removal of the Tribunal from the jurisdiction of one Secretariat Department to that of another will not make a difference. 7.39

7.40 The powers of the Collector of Sales Tax or of an Additional Collector of Sales Tax to take up revision *suo motu* under section 31 of the Bombay Sales Tax Act of 1953 may continue except that we consider that such powers should be exercised only within a period of two years from the date of the assessment order or order passed in appeal. From an order of the Collector or an Additional Collector in revision *suo motu*, an appeal application should lie to the Tribunal in the same manner as an application in appeal against an original order passed by the Collector or an Additional Collector of Sales Tax. In view of the limit imposed on the period of time during which *suo motu* revision can be taken up by the Collector or by an Additional Collector of Sales Tax under section 31, we consider that re-opening of cases under section 15 of the Bombay Sales Tax Act of 1953 should be permitted during eight years from the close of the assessment year if the escape of tax is due to evasion; in all other cases re-opening may be permitted within a period of five years. The ordinary provisions of the law relating to procedure applicable to the hearing of a case by a Sales Tax Officer should remain applicable when he re-opens a case either on his motion or on the orders of a superior officer.

7.41 The penal provisions contained in the present laws have come for their share of adverse criticism from the trade and industry. The rates of interest chargeable under section 16(4) of the Bombay Sales Tax Act of 1953, namely, 1 per cent. for each of the first three months of default in payment of tax and 2½ per cent. for each subsequent month, have been characterised as usurious. We are informed that the total amount collected by way of penal interest is negligible and has no significance from a revenue stand-point; the higher rate of interest charged serves merely as a deterrent. All the same we recommend that the rates of such penal interest should be reduced and should be 12 per cent. per annum for the first month of default and 18 per cent. per annum for any subsequent period of default in payment. Further, an anomaly exists in the present arrangements in that although postponements and instalments may be granted for payment of assessed dues on compassionate and other grounds, such powers cannot be exercised so as to reduce the rate of interest chargeable or to waive it altogether. We suggest, therefore, that whenever postponement of payment or payment of instalments is permitted, at the discretion of the officer interest may be charged at a lower rate than the maximum prescribed or may be waived. Penal interest is chargeable even for the period of delay in payment in consequence of the time taken in the disposal of an appeal application or of a revision application preferred in respect of the order of assessment. We recommend that the authorities passing orders in appeal and revision should have the discretion to charge a rate of interest lower than the maximum prescribed or to waive interest altogether, having regard to the merits of each case.

7.42 We have elsewhere referred to a feeling that prosecutions are too readily resorted to by the Department. The position in regard to prosecutions and penalties under the various sections of the Bombay Sales Tax Act of 1953 is exhibited in Statement 3 appended to this Chapter. It will be seen from the figures shown in the statement that contrary to popular

belief, prosecution has been launched in a very small number of cases. No doubt, the threat of prosecution has been held out in a fairly large number of cases. Even so, in an appreciable number of cases the contraventions have been condoned; in the rest of the cases, barring the few which have resulted in prosecution, the dealers have been allowed to compound their offences by paying sums of money mutually agreed upon. We appreciate the difficulty of the Sales Tax Department in this respect inasmuch as the law does not give the Department any alternative but to prosecute the dealer if he does not make good his default and pay the composition fee. Prosecution in offences not involving moral turpitude has had to be resorted to because the Department does not have the power to levy a fine in such cases. While, therefore, we feel that prosecution may remain as the ultimate sanction behind mandatory provisions of the law, a specific provision should be made in the Act that certain offences, such as late submission of returns, errors in returns or accounts which were not committed with fraudulent intent to evade and other offences not involving moral turpitude, should be punishable by fine imposed by the Department. The order of fine should of course be appealable as in the case of all other orders passed under the law.

Opportunity for being heard; notices to show cause.

It has been pointed out to us that although in practice reasonable 7.43 opportunities are being given to persons for being heard before Sales Tax authorities take any action against them, the law does not always make it incumbent on the authorities to do so. Our attention is invited in this connection to section 39 of the Bombay Sales Tax Act of 1953 which does not provide in terms for giving of such opportunity. Since there is no difficulty on the part of the Department in giving such opportunity, the law may as well be amended so as to make it compulsory to do so. It will, in our opinion, be in the best interests of Sales Tax administration if a feeling is generated that in all Sales Tax matters every dealer is held to be free from blame till he is proved to be otherwise. No action should, further, be initiated against a dealer till a responsible officer of the Department is personally satisfied that a *prima facie* case for such action exists. Issue of "show cause" notices in a routine manner which do not ultimately result in any action against a dealer may cause unnecessary resentment against the Department; it would also take up a lot of the Department's time which could be put to better use. We have not in fact come across cases where "show-cause" notices have been issued in a routine manner. Nevertheless, we would recommend that the superior officers of the Department during their inspections should verify by reference to the case records whether the notices to show cause have been issued by any subordinate authority without a responsible officer having applied his mind to the facts of each case.

Want of co-ordination between sections of the Department.

Complaints have been made to us that there is a lack of co-ordination 7.44 between various sections of the Sales Tax Department, resulting in one section issuing a notice or other statutory process to a dealer who has actually complied with the law and has communicated his compliance to some other section of the Department. We understand that there is an arrangement in the Department for keeping watch on the submission of returns and the payment of tax by the due date and that precautions

are taken to ensure that no authority should issue a notice or letter of warning to a dealer without verifying from the registers maintained for the purpose that he has not in fact complied with the law. All the same, we recommend that no authority issuing a notice to show cause in respect of prosecution or the cancellation or suspension of a licence, authorisation or recognition should do so without being completely satisfied that the dealer's compliance with the law has not been overlooked.

It has also been represented that stay orders given by appellate and revising authorities are not always communicated to the lower authorities in time and, in consequence, the latter take action against the dealer though such action may have been stayed by the higher authority. We feel that it should be possible so to arrange that all stay orders are communicated to the lower authority by the next working day after they are passed, so that no prejudicial action is taken pending decision on the issues. Cases have also occurred of the Revenue Department, to whom matters are referred in the last resort for the recovery of dues, having taken action although the dues have been paid to the Sales Tax Department after process has issued. It is essential that the Sales Tax authorities should, after issuing a requisition to the Revenue Department for the collection of over-due tax, be prompt in withdrawing such requisition upon the dealer having paid the sum in default.

- 7.45 We have mentioned the need for adequate publicity of various aspects of Sales Tax law and its administration. We have also made our recommendations as regards publicity that should be given to rules framed under the law, both at the draft stage as well as in their final form. We have suggested that through insertion of advertisements in newspapers and otherwise, the attention of the tax-paying public should be prominently drawn to notifications appearing in the *Government Gazette* which contain authoritative versions of these rules. In addition, complete and up-to-date publications embodying the Act and rules should be brought out by Government from time to time. Unless the public is enabled to ascertain without undue effort what the law at any moment is, it cannot very well comply with it. Government should also undertake the preparation of publications giving information in simple language both in English as well as in the regional languages of the State. There is also the need to keep the public informed about the interpretations given from time to time on important matters by different Sales Tax authorities, particularly the Collector and the Additional Collectors of Sales Tax in exercise of their powers similar to those under section 27 of the Bombay Sales Tax Act of 1953 and the Sales Tax Tribunal in the course of orders passed in appeal and revision, and also by the Bombay High Court and the Supreme Court in Sales Tax matters which occasionally come before these courts. For this purpose Government may bring out periodical Digests giving brief and authoritative summaries of these decisions in a manner intelligible to the lay public. These Digests may in due course lead to the compilation of a Departmental Handbook designed for use both by the officers of the Department and by members of the tax-paying public and their authorised agents. Further, whenever any new law is passed by the Legislature or important amendments to the existing law

are carried out, adequate publicity should be undertaken by Government over a sufficient period of time before the law or the amendment is brought into operation. Such publicity should take the form not merely of drawing the attention of the public to copies of the *Government Gazette* in which the laws or the amendments are published; Government should also issue explanatory Press Notes, pamphlets etc., and may even organise meetings of representative bodies of the mercantile community. The columns of the "Peoples' Raj" and allied publications of the Directorate of Publicity should also be utilised extensively for the purpose of all publicity required to be given to Sales Tax matters.

**Liaison
Service.**

We are informed that considerable liaison activity is undertaken by 7.46 officers of the Sales Tax Department at various levels. The Collector of Sales Tax and the Additional Collectors of Sales Tax, directly and through their Personal Assistants, give interviews to large numbers of people every day and give them guidance in various Sales Tax matters. Similar opportunities are afforded also in the course of their inspection tours. The officers of the Sales Tax Department in the districts, although not authorised to give interpretations to the public on disputed points, give information on points of doubt and difficulty decisions on which have already been given by the superior administrative and judicial authorities. It seems to us that such liaison service can be rendered in a systematic and more organised manner and should be adequately publicised. We suggest that officers at various levels should set apart specified hours during the day for attending to queries that may be made in person by members of the public. Visits of superior officers of the Department on inspection to mofussil offices should be given wide publicity in order that dealers may take the opportunity of meeting them and of seeking clarifications and guidance or of getting their grievances redressed. Such officers may also make it a point to meet the dealers collectively either at the Sales Tax Offices or at meetings organised by representative associations of trade and industry where they exist. In short, contacts should be developed in every possible way between superior officers of the Department and the mercantile community for greater mutual understanding of each other's needs and difficulties.

**Departmental
circular
letters.**

We suggest that full use should be made of the numerous circular 7.47 letters embodying information on Sales Tax matters which are being issued from time to time by the Collector of Sales Tax to associations of trade and industry. We recommend that these associations may be approached to arrange, in a manner convenient to them, to give adequate publicity to the contents of these circular letters among their membership. To facilitate this, translations of the circular letters in the appropriate regional languages should also be sent to the associations by the Collector of Sales Tax along with the originals in English. We have also been informed that while no information which is not of a purely departmental bearing is withheld by the Department from the tax-paying public, there is sometimes a time-lag between the date of the departmental officers receiving their instructions from the Collector of Sales Tax and the date by which the members of the public are apprised of

the matter in a suitable manner. This may be responsible for the feeling that some Sales Tax Officers favour, for consideration or otherwise, the chosen few among the authorised agents of dealers by divulging to them the information allegedly contained in secret circulars which are withheld from the public. To ensure that there may not be any scope for wrong notions of this nature we suggest that the Department should arrange for the simultaneous issue of instructions to its officers and dissemination of the contents of these instructions in suitable form among the members of the public. The Department should also ensure that instructions which are of a purely departmental bearing are kept secret and nobody is allowed to make unauthorised use of such instructions for personal advantage.

- 7.48 A feeling exists among different sections of the mercantile community that the standard of efficiency of the lower categories of personnel in the Sales Tax Department is not what it should be. Suggestions have been made before us that the scales of pay offered to recruits to the junior cadres of gazetted as well as non-gazetted staff are not sufficient to attract persons with adequate qualifications. We have made no investigation into this matter; we are making a mention of it in order that Government may, if it thinks fit, examine it. The qualifications prescribed at present for new entrants to the cadres of Sales Tax Inspectors and of Sales Tax Officers are adequate; in making selection from among candidates, greater reliance should be placed on accountancy and other special qualifications. In making appointment to these cadres by promotion from lower ranks, a closer assessment of the suitability of the candidates should be made than is likely if only the rule of seniority is to be followed. Adequate training should be given to the new entrants, a practical bias should be given to such training so as to enable the new entrants to deal with assessee's cases with confidence and precision in a manner which will generate a feeling both of satisfaction and of respect among the assessees. Periodical refresher courses should also be arranged in order to keep various categories of personnel abreast of developments. Whenever important innovations are sought to be introduced in the Department, they should be preceded by adequate instruction to personnel of all categories of the Department imparted by as high an authority or authorities of the Department as may be available for the purpose. Improve-
ment of
efficiency.
- 7.49 It would be of use to the mercantile community if Government could set up regular instruction courses on Sales Tax matters for accountants and other staff employed by dealers. This can bring to the dealers in as effective a manner as is compatible with freedom of trade, the advantage of the knowledge and information that the Department can give. We also suggest that having regard to the growing importance of Sales Tax in public and commercial life, it should be considered whether Sales Tax cannot be included in courses of study on commercial and legal subjects. Training
of person-
nel of trade
and in-
dustry.
- 7.50 A representation has been made to the Committee to the effect that both in the Act and in the Rules it should be so provided that a Chartered Accountant is placed on par with legal practitioners as regards representation in Sales Tax matters. We consider this a valid suggestion and recommend that it should be implemented. Role of
Chartered
Account-
ants.

We have also considered whether more effective use could not be made of the services of Chartered Accountants in Sales Tax matters. It does not seem practicable to make any statutory provision for the certification of statements, returns and other Sales Tax forms by Chartered Accountants. These considerations apart, the services of Chartered Accountants would not be available in many areas of the State since they are largely concentrated in the bigger centres and their number is also limited. However, we feel that they could make a useful contribution in statutory proceedings under the Sales Tax laws by way of verification and certification of figures submitted by the dealers in statements like quarterly returns or forms of application. While we do not suggest that the onus of ascertaining the correct application of the law to his case by the dealer should be placed on Chartered Accountants we recommend that the Department should examine the feasibility of utilising to as large an extent as possible the services of Chartered Accountants for such certification. Such a procedure would considerably curtail the routine of statutory proceedings. The method and the manner in which Chartered Accountants' services should be utilised, may, in our opinion, safely be left to be decided in mutual consultation between the profession and the Department.

Sales
Tax
Practi-
tioners.

We are surprised at the large number of persons authorised to represent cases of tax-payers without having any specialised accountancy or legal qualifications. All such persons who were attending before any Sales Tax authority for the purpose before 1st April 1950 have been allowed to continue to do so. We consider this to be quite unsatisfactory. The possession of adequate knowledge of Sales Tax laws and of commercial accounts is the only satisfactory basis on which a person who has not acquired a specialised accountancy or legal qualification, may be permitted to represent an assessee's case before a Sales Tax authority. A deficiency in these respects tends to be made up by the development of an aptitude for obtaining undue favours from those in authority. We accordingly recommend that the knowledge of Sales Tax law and commercial accounts possessed by these persons may be ascertained through an examination conducted under the auspices of the Bombay Public Service Commission, which may consist of a written test on these two subjects and a general *viva voce* test, and the names of those who fail to qualify as a result of this examination may be struck off the list of persons permitted to act as authorised agents of assessees. 7.51

Designa-
tion and
Status of
Head of
the Sales
Tax
Depart-
ment.

We may end our observations on Sales Tax administration by drawing the attention of Government to a matter of some importance. We have seen the position occupied by Sales Tax in the taxation structure of the State and the significance it has assumed for trade and industry. We have also noticed how large a variety of complex problems the administration of Sales Tax has to deal with. We feel that in this context it is but appropriate that the Head of the Sales Tax Department should have the rank of a Commissioner of a Division and that his designation should be the "Commissioner of Sales Tax"; the designation of other officers of the Department should be revised suitably. 7.52

VIDARBHA.

	1946-47.	1947-48.	1948-49.	1949-50.	1950-51.	1951-52.	1952-53.	1953-54.	1954-55.	1955-56.	1956-57.	1957-58.	Total number of dealers' years remaining pending at the end of the year.
31st March 1958	..	4	6	15	61	75	133	332	662	1,380	5,743	..	8,411

MARATHWADA.

31st March 1958	30	50	94	115	344	805	2,302	..	3,740
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SAURASHTRA.

	C. Y. 1952.	S. Y. 2009.	S. Y. 2009.	C. Y. 1953.	C. Y. 1953.	F. Y. 1953-54.	S. Y. 2010.	C. Y. 1954.	F. Y. 1954-55.	S. Y. 2011.	C. Y. 1955.	F. Y. 1955-56.	S. Y. 2012.	C. Y. 1956.	F. Y. 1956-57.	Total number of dealers' years remaining pending at the end of the year.
31st March 1958	1	6	1	1	1	1,036	256	2	3,484	361	20	6,570	802	14	12,554	

KUTCH.

	S. Y. 2011.	S. Y. 2012.	S. Y. 2012.	Katchi Year 2011.	Katchi Year 2012.	C. Y. 1955.	C. Y. 1956.	F. Y. 1954-55.	F. Y. 1955-56.	F. Y. 1956-57.	Total number of dealers' years remaining pending at the end of the year.
31st March 1958	11	652	2	10	43	185	5	62	71	1,041	

STATEMENT 2.

(See paragraph 7-37).

Statement showing the number of Appeals, Revision Applications disposed of from 1946 to 1958 in pre-Reorganisation Bombay State, such area of present Bombay State.

Years.	By Assistant Collectors.				By Collector or Additional Collectors.			
	Number of appeals disposed of.	Number allowed in full.	Number allowed in part.	Number rejected, withdrawn, etc.	Number of appeals remanded to S. T. O.'s for giving fresh hearing and also cases in which no payment of tax is involved (i.e. fixation of liability, etc.)	Number of revision applications disposed of.	Number allowed in full.	Number allowed in part.
1946-1958 ...	43,911	7,657	14,874	14,807	6,573	4,926	830	1,109
Percentage of cases in which total or partial relief given by appellate Assistant Collectors (excluding remand orders).								
Total Relief	...	...	17.43 per cent.	Percentage of cases in which total or partial relief given by Collector or Additional Collectors of Sales Tax in revision.				
Partial Relief	...	...	33.87 per cent.	Total Relief	...	16.78 per cent.	Partial Relief	...
						22.66 per cent.		

STATEMENT 3.

(See paragraph 7-42).

Statement of prosecutions for contravention of provisions of the Bombay Sales Tax Act, 1946-53.

Year.	Number of cases in which contraventions took place.	Number of cases in which contraventions were specifically condoned.	Number of cases in which contraventions were compounded.	Amount of composition money realised.	Number of cases in which dealers were prosecuted.	Number of cases in which contraventions being of a trifling nature, were not pursued.
1	2	3	4	5	6	7
				Rs.		
1946-47	.. 1	....	....	....	....	1
1947-48	.. 8	4	....	....	1	3
1948-49	.. 9	4	....	....	....	5
1949-50	.. 114	67	3	59	....	44
1950-51	.. 335	55	119	8,485	50	111
1951-52	.. 259	4	185	18,818	51	21
1952-53	.. 2,329	146	1,733	22,313	49	401
1953-54	.. 17,486	3,678	8,463	74,753	1,224	4,121
1954-55	.. 28,827	7,123	12,002	1,98,505	162	9,540
1955-56	.. 24,868	3,790	7,835	1,27,259	188	13,055
1956-57	.. 17,462	3,166	4,619	88,676	243	9,434

CHAPTER VIII.

EVASION AND CORRUPTION.

- 8.01 The problem of evasion and corruption is of great importance to Sales Tax legislation as well as its administration. Considerable revenue is annually lost to the public exchequer through escape of tax. This problem faces Governments everywhere and in relation practically to every fiscal measure.

Leakage of tax may occur in two ways, either by evasion of the tax or by ^{Evasion and} its avoidance. The distinction between these two means of escape has ^{avoidance.} been expressed by the Taxation Enquiry Commission 1953-54 in the following words :

“Leakage in revenue may occur either through a deliberate distortion of facts relating to an assessment *after* the liability has been incurred, or by so arranging one's affairs *before* the liability is incurred as to prevent its occurrence or to reduce the incidence of the tax within the frame work of the existing legislation. The former set of transactions is usually referred to as ‘evasion’ and the latter as ‘avoidance’. ‘Avoidance’ ordinarily arises from drafting defects in the tax legislation. Both avoidance and evasion result in loss of revenue to Government but the former has a colour of legality about it.”

The extent either of evasion or of avoidance of Sales Tax taking place in the State cannot be estimated accurately. The guesses which have been made in this regard place the leakage any where from 5 per cent. to 20 per cent. of the amount of tax due. At any rate, it is possible that the amount of such leakage is sizeable and to that extent it places a heavier burden on the honest dealer and, through him, on the honest citizen, who does not escape tax. ^{Extent of loss of revenue.}

- 8.02 The scope for avoidance of Sales Tax existed to a great extent in the sphere of inter-State transactions on account of the restrictions placed by ^{Remedy for} Article 286 of the Constitution. Since the enactment of the Central Sales Act of 1956 by Parliament, and its enforcement with effect from 1st July 1957, the position in this regard has improved to a considerable extent. A few anomalies which exist under that Act and which permit diversion of trade from one State to another as well as avoidance of a part of tax, are being largely remedied through an amending bill which is already before Parliament. Further, uniformity of the incidence of tax on special goods, commonly known as luxury goods, which has been accepted by the various State Governments—some of which have also already started implementing it—will remedy the position still further. What still remains to be done in this direction within the sphere of State legislation is that such legislation should seek to achieve greater precision and clarity regarding the entire Sales Tax legislation as such and, in particular, in the wording of the entries in schedules of exemption and of rates of tax. Such precision and clarity is required not only in the matter of legal phraseology but also from the practical point of view of trade and administration.

**Motive
for
evasion.**

The motive for evasion of tax is, of course, wrongful gain through non-payment of tax due. Where the amount has already been realised from the customer, the gain from withholding it from Government is direct; where the customer is also given the benefit of evasion by way of charging of a lower price, the gain is by way of a larger volume of business and so of net earning therefrom. Further, in a Sales Tax system of which the underlying basis is that the burden of tax will be passed on to the customer, the tax-payer has to calculate correctly the extent of his liability to tax so that the burden thereof may be passed on to the customer and has not to be borne by himself when ultimately he is assessed to the tax. Any lack of simplicity and intelligibility of the law may therefore drive the tax-payer to the adoption of devious means to protect himself against an unforeseen liability to tax. In consequence, even apart from a motive directly to keep back the revenues due to Government, some tax-payers try to insure themselves against unforeseen tax liability, amongst other things, by suppressing the transactions altogether. Further, there is also the burden of compliance with the tax which is sometimes felt to be so high as to make it worthwhile for not a few of the potential tax-payers to try to escape the liability to tax. To an appreciable extent, evasion of Sales Tax also results not so much from the desire the benefit from the amount so held back from Government as from the motive to evade the larger incidence of Income-Tax by showing in the accounts a lower volume of business. Similar is the case with trade in smuggled goods, which a trader keeps out of his accounts and is enabled thereby also to escape Sales Tax although only incidentally.

**Methods of
evasion.**

The numerous devices resorted to for evasion of tax have been described periodically in the annual Administration Reports of the Sales Tax Department. Mention may be made of : (i) omission to report taxable turnover; (ii) fraudulent changes in account books; (iii) maintenance of multiple sets of accounts books; (iv) opening of accounts under assumed names; (v) carrying out transactions in the names of dummies or figure-heads; (vi) keeping transactions out of account books; and (vii) distorting the nature of transactions so as to conceal their true character.

Corruption.

Though to a large extent evasions of the nature mentioned above are practised without any collusion with personnel of the Sales Tax Department, the extent of collusion with such personnel may not be insignificant. Collusion with the tax-payer is not, however, the only means available to a corrupt official for making unlawful gains. There are many avenues open to him such as intentional delays, withholding on flimsy pretexts of benefits admissible in law, estimating of turnover at too high a figure, and similar forms of harassment; in these and other ways a corrupt official can extort money from tax-payers with or without detriment to the revenues of the State.

**Facilities
for evasion.**

As has been stated in a previous Chapter, exemption of a long list of goods affords scope for evasion. The provision for tax-free purchase of goods is also another measure, although unavoidable, which opens the door wide for escape of tax. A wide variation in the rates of tax applicable to different classes of goods also gives scope for evasion, particularly when

goods taxed at different rates are not clearly distinguishable from each other. This is still more so when the same goods are taxed at different rates depending on a difference in the prices charged.

- 8.07 In devising the (u. c.) composite system of tax which we have recommended, we have had in view the need for ensuring that evasion of tax is kept down. One of our aims has therefore been that neither exemptions nor rates of tax should be related to the prices charged for commodities liable to tax. We have not been able to avoid this for certain articles, namely, cooked food and non-alcoholic drinks served at eating places, spare parts of agricultural implements, *Dhabla*, *Ghongadi*, etc., ready-made garments and footwear. However, we have reduced the number of such items to the limit compatible with precedents already well-established. In regard to the total number of exempted commodities, we have tried to curtail the list and to see that exemption is granted in such a manner as not to open the door for evasion of tax. We gave considerable thought to the question of safeguarding against evasion of tax through the facility of making tax-free purchases or purchases at concessional rates of tax. Since the grant of such facility is unavoidable, the present safeguards, namely, to allow such purchases to be made only by holders of licence, authorisation, etc., and the procedure of giving of certificates so as to cover tax-free purchases and purchases at concessional rates of tax, have been retained in our system. As a further safeguard we suggest that the forms in which these certificates are given should be printed by Government under conditions of security on specially water marked paper and should be supplied to the dealers eligible to issue the certificates. These dealers should be liable to account for the disposal of the form supplied to them. Lest trade and industry should be inconvenienced by the shortage of such forms, we suggest that a sufficiently large stock should be built up before the introduction of the system and that a good reserve should always be maintained so as to be drawn upon in times of emergency. Moreover, the highest priority should be given to requests of dealers for the fresh issue of the forms to them. We also suggest that a most careful examination of the subsequent disposal of goods purchased free of tax should be made and the provisions contained in section 39-A of the Bombay Sales Tax Act of 1953 for penalty for giving false certificates or for misapplication of goods bought on certificates, should be continued in the new system. Checking of evasion.

- 8.08 In spite of the general acceptance of the tax system by dealers, cases of evasion are bound to arise. To deal with this class of tax-dodgers, the traditional measures against evasion will have to be continued and to be reinforced. We have been informed that a systematic watch is kept by the Sales Tax Department on the entry into the State and into important commercial centres of goods by sea and by rail. The entry of goods by road from outside the State as well as the movement of goods from one place to another inside the State by road has not come for careful scrutiny and control yet. At present there is no satisfactory means of keeping a check on the movement of goods by road. We suggest that Government may examine the scope for prescribing the maintenance of suitable records by road transport operators who carry Check on movement of goods by road.

goods from one place to another and for their inspection, so that a reference to such records will enable the Sales Tax Authorities to trace the entry of goods into the stream of trade and to obtain other information of use in keeping down evasion of tax.

Cross verification. Already there is in force a system of occasional cross verification of entries in account books maintained by different dealers. We consider that there is scope for widening the extent of such cross-verification. Steps should also be taken in this connection for concerted action by different States to exchange information in the sale of goods in the course of inter-State trade. Since the bulk of such trade is done on Form C declarations, it should not be difficult for the States to compile information from such declarations and to exchange the information with each other to enable the tracing of the goods into the respective sale and purchase accounts. 8.09

Enforcing of prompt payment of tax. We have been informed that the collection of tax has improved considerably in the last few years as a result of a drive for prompt payment of tax undertaken by the Department. A close watch is kept on payment by the due date of the tax due by a dealer and suitable penal measures are taken for default. The percentage of defaulters has gone down considerably as a result of this measure. We consider this step to be in the right direction and that the tempo of enforcing prompt payment of tax should be maintained and even increased. We have noticed in this connection that for default in submitting return by the due date, the liability to be prosecuted is brought to the notice of the dealer but the offence is generally compounded on payment of a financial penalty. We consider that prosecution, or the threat thereof, is not appropriate for the purpose, howsoever important it is to ensure prompt payment of tax, and that the imposition of a financial penalty by the Department will also produce the desired result. We are informed that the threat of prosecution is resorted to for want of powers with the Department under the Bombay Sales Tax Act of 1953 for imposing a departmental fine. We therefore recommend that the law should give such powers to the Department and that prosecution should be a measure reserved for use in the last resort. 8.10

Enforcement Branch. Our enquiry into the nature and extent of evasion has enabled us to consider the methods or work of the Enforcement Branch of the Sales Tax Department set up in the Bombay City area. The method most widely adopted by this Branch is to obtain possession of multiple sets of books of account maintained by assesseees who attempt to evade tax by suppression of transactions; next in importance is their attempt to find out the true nature of transactions entered in the regular books of accounts in a concealed manner, by tracing those transactions into the related books of accounts of other dealers or other books and records of the same dealer. For the purpose of tracing evasion in this manner, officers of this Branch pay visits to dealers' premises including, on occasions, their residential premises where books of accounts may be concealed. Such visits are paid generally on receipt of information furnished orally by individuals, or on the strength of signed or anonymous letters and petitions or on the basis of entries appearing in books 3.11

of accounts of other dealers. Before a visit is paid, an officer of the rank of Additional Collector gives sanction thereto after being personally satisfied that a *prima facie* case for paying a visit exists. The following statistics show the number of visits paid during the period from 1954-55 to 1957-58 in the Bombay City area and the results of such visits :—

Year.	Visits to dealers' premises paid by the Enforcement Branch.	Visits resulting in seizure of books.	Further disposal of cases resulting in seizure of books (<i>see</i> column 3)				
			Cases finalised and actually assessed to evaded tax.	Cases finalised and books returned, no evasion having been detected.	Cases still in progress and in which evasion is indicated.	Cases still in progress but at an inconclusive stage.	
1	2	3	4	5	6	7	
1954-55*	..	149	104	87	9	8	...
1955-56*	..	583	428	211	75	139	3
1956-57*	..	646	410	98	33	243	36
1957-58	..	568	389	84	20	261	21
Total ..	1,946	1,331	480	127	651	63	

*Figures for these years indicate the position on 30th June 1957.

- 8.12 Complaints have been made before us that due care is not taken to ascertain, before a visit is paid, that a *prima facie* case for such a visit exists; that searches of premises are carried out in a harsh manner calculated to terrorise the dealers; that mass visits are paid to the dealers of an entire market so as to create a panic; that the visits are paid in such a manner as to compromise the prestige and reputation of the dealers; that unduly long time is taken by the Branch in completing investigation and assessment of the cases and in returning there-after the books and documents seized in the course of a visit: and that even copies are not allowed to be taken of these books and documents while they are in the custody of the Branch, with the result that the business of the dealer suffers and that he cannot put up an adequate defence when the case against him for evasion comes up. We have made enquiries from the Department so far as to find out the true state of affairs in this regard. We are informed that the visits are paid with the prior sanction of a sufficiently high-ranking officer of the Department who ensures that indiscriminate visits are not paid. The visits are also paid by sufficiently senior and responsible Gazetted Officers of the Department; we have been informed that, in fact, the entire Branch is manned by hand-picked personnel chosen on the basis of their

(G.C.P.) L-A H 2487.—6

satisfactory service records. While non-gazetted subordinate officials do accompany these officers during visits, at no time are these subordinate officials allowed to pay visits by themselves. We are further informed that adequate precautions are also taken to see that no sensation is created and that due care is taken to ensure that the reputation of a dealer does not suffer through publicity of the fact that his premises have been searched and books of account and other records have been seized. It has been suggested in this connection that during visits to premises of dealers, persons belonging to the same trade as the dealer should be asked to accompany the officers of the Department. We have not thought fit to accept this suggestion for the reason that it will defeat the purpose of the visit by the delay and the disclosure of the impending visit that may be caused in first collecting such persons who can spare the time for the purpose; further, to call in such persons to witness the search of the premises will itself give rise to publicity and to commotion which in everybody's opinion should be avoided. We suggest that visits to dealer's premises should be paid rarely and after the personal satisfaction of the Additional Collector or, where no Additional Collector is posted at the station, of an Assistant Collector of Sales Tax, that reasonable grounds exists for suspicion of evasion of substantial amounts of tax or of a systematic and widespread attempt at evasion; when such a visit has nonetheless to be paid, subject to ensuring that the visit or seizure of books does not cause any harassment or damage to the dealer's reputation, the Department should do all that is required in pursuance of its duties to enforce payment of tax. Should a visit paid to the premises of a dealer result in nothing incriminating being found, the Collector of Sales Tax should write a letter to him to that effect as is being done at present and also give him permission to publish the letter in newspapers or otherwise if the dealer deems it appropriate to do so.

Return of
seized
books.

As regards return of seized books of accounts and documents we have found that considerable delays do take place but they are unavoidable. It has been suggested to us that as an alternative to holding on to the books and documents for a very long time, the Branch should take an undertaking from the dealer, together with adequate security, to produce the books and documents whenever required. We have found that this is not a practicable course of action in view of the fact that a prosecution will not be sustainable if the books of account are eventually not produced. The recommendation that we would make in this regard is that the books of account and other documents seized during a visit should be returned as soon as possible after the Department has done with them. At the same time care should be taken to see that there is no inordinate delay in the conduct of the enquiry and in its completion. **8.13**

Taking
copies of
books and
records.

Regarding the taking of copies of books and documents seized, we are informed that permission to take copies is not refused unless it is apprehended that it will hamper investigation. While such apprehension may be well-founded and while it may be necessary for the Branch in some cases to retain seized books and documents for appreciably long periods, we see no reason why the Branch should not complete its investigations promptly enough so that a dealer who is prepared to make **8.14**

copies of those books and documents for his own facility should not be permitted to do so. We suggest, therefore, that permission for taking copies of even entire books of account and of documents or of relevant portions thereof, should not be withheld by the local head of the Enforcement Branch for more than a month from the date of the application for taking of such copy, without the sanction of the Collector of Sales Tax who may allow a further period of not more than two months to the investigating officer for completion of the investigation; after the expiry of this period permission to take copies should not be withheld under any circumstances whatsoever.

- 8.15 It has not been suggested to us by the members of the mercantile community that the higher officers of the Department are generally corrupt or that they are so to any appreciable extent; the general consensus of opinion seems to be that these officers are reasonably beyond reproach in this regard. Complaint against the Department in this regard tends to centre largely round one category of officials, namely, the Sales Tax Inspectors. Further, all through our study of the public reaction to the administration of Sales Tax laws, it has been heavily borne down on us that officials of this category are invested in the public mind with far greater importance than they actually have. The reason is not far to seek. The moment a dealer or his authorised agent enters the premises of the Sales Tax Office he is confronted by a Sales Tax Inspector who takes charge of him and takes up the scrutiny of his books of account and records. It is the Inspector who questions the correctness of his accounts and disputes his understanding of the law and has to be initially satisfied in all matters relating to assessment. The assessment is no doubt done finally by the Sales Tax Officer; for this purpose a further scrutiny is made by this officer of the books of account and records of the dealer who is thus afforded at full opportunity for placing his side of the case before the officer. However, the dealer gets the impression that the officer is guided by notes drawn up by the Inspector as a result of his scrutiny, the contents of which are not disclosed to him and that this note forms the basis of the order passed by the officer. Officials of this category are, in the opinion of many of the dealers, relatively less paid having regard to the degree of responsibility discharged by them and therefore seem to be more amenable to temptations for making unlawful gains at the expense of the dealers or of the public exchequer or of both. We consider it necessary that steps should be taken to remove these impressions from the public mind. The feeling should go away altogether that the Sales Tax Inspector is the virtual master of the situation. Immediately an assessee or his duly authorised agent enters a Sales Tax Office, the Sales Tax Officer should himself take charge of him, should make a preliminary study of his case, and only thereafter entrust to the Inspector further detailed scrutiny of the accounts and records of the dealer on lines indicated by him. In regard to further matters arising in the course of assessment proceedings, like resolving disputed points of law, accepting explanations or clarifications as regards entries in accounts and records which are deficient or are not clear, giving of adjournment for the production of further evidence and allied matters, the tax-payer should have as direct an access to the Sales Tax Officer as

possible and should not be routed through the Inspector. The information contained in the note drawn up by the Sales Tax Inspector as a result of his examination of the books and records of the dealer and submitted to the Sales Tax Officer, should not be wholly withheld from the dealer ; as recommended elsewhere, to the extent that such information is in the Sales Tax Officer's opinion likely to affect the amount of tax to which the dealer will be assessed, it should be made available to him in a suitable manner. All this may perhaps require the appointment of a larger number of Sales Tax Officers than there are at present and thus result in an increase in expenditure ; we are sure, however, that such increase in expenditure will be fully justified by the improvement gained.

We have been informed that the Department does not allow Sales Tax **8.16** Inspectors to pay visits to dealers' premises except with the written authority of a Sales Tax Officer. This does not seem to be known to many dealers and deserves to be given publicity. The written authority given to an Inspector should also specify in detail the exact purpose of the visit so that the Inspector may not be able to exceed the authority given to him. This will reduce the scope for extortion by a corrupt Inspector.

We have considered various other means for reducing corruption and **8.17** for bringing to book corrupt officials. A suggestion for the formation of an Anti-Corruption Committee of officials and non-officials came up before us. We think that it will be more appropriate to leave the decision thereon to be taken by the Sales Tax Advisory Committee for the constitution of which we have made a recommendation elsewhere in our report. Another suggestion was made in this connection that a dealer should be given protection against re-opening of his assessment if he made disclosure of escape of assessment or of short assessment of tax in collusion with a corrupt official. We do not think that such a step is either practicable or desirable. We would recommend however that dealers should be taken into confidence by superior officers and should be given suitable protection against possible victimisation if they are prepared to point out cases of corruption by officials.

CHAPTER IX.

MISCELLANEOUS RECOMMENDATIONS.

- 9.01 We have considered some other points which were prominently brought to our notice and which it has not been convenient to include in the previous chapters.
- 9.02 A Sales Tax Advisory Committee was associated in the past in the old Bombay State with the Collector of Sales Tax, to give advice to him on various matters relating to policy and administration. The Committee has been discontinued for some time past. A similar Committee used to function in Saurashtra also. The information placed before us by members of the mercantile community is that these committees functioned well and served as a useful link between Government and the mercantile community. We are of the opinion that there should be an Advisory Committee. It should include, among others, persons nominated by Government from important commercial and industrial interests belonging to the different regions of the State, and from the Legal and the Accountancy professions. The Minister for Finance should be the chairman of the Committee. The Committee should be consulted by Government on questions of administrative policy. Rules proposed to be framed under powers given to Government by the law, and draft amendments thereto from time to time should be placed before the Committee to ascertain its views. Another important subject to which consideration may be given by the Committee is that of legal interpretations; where such interpretations happen to run counter to established trade practices, the Committee may bring the fact to Government's notice. Government may, if it thinks fit, relax the enforcement of the law as far as may be practicable and take action in due course to amend the law, if necessary. The Committee should hold meetings at suitable intervals so as to deal adequately with the problems coming before it. The appointment of the Committee will help in establishing a closer relationship between Government and the commercial community.
- 9.03 We also suggest that at the headquarters of each revenue Division a Divisional Committee should be set up with composition similar to that of the Committee at the State level; the Additional Collector of Sales Tax should be the Chairman of this Committee. A member appointed to the State level Committee should also be a member of the Divisional Committee of the area to which he belongs. Where the headquarters of the Additional Collector are located outside the Division, he should arrange to attend the meetings of the Committee during his periodical inspection tours. It should also be possible for the Collector of Sales Tax so to arrange his tour programme as to be able to preside at one or more meetings of each of the Divisional Committees in the course of the year. These Divisional Committees should be consulted on matters of Sales Tax administration in the Division and deal with local grievances. The functions of the State level Committee and the Divisional Committees should be complementary to each other. We have set out broadly the functions of the Committees; their working will evolve conventions necessary for realising these broad objectives.

Collection
and
compilation
of
statistics.

We have given considerable thought to the question of compilation of statistics on Sales Tax matters. We have found that neither the Government Bureau of Economics and Statistics nor the Statistical Branch of the office of the Collector of Sales Tax, is equipped to collect and maintain adequate statistics relating to various material aspects of trade and industry. We understand that the principal difficulty in this matter has been that any increase in the number of Sales Tax forms or returns or the insertion of additional columns in the existing forms or returns in order that information on these matters may be obtained from the trading public, will cause hardship to them and will add to the volume of criticism already voiced by the mercantile community. We therefore suggest that the collection and compilation of such statistics and also their publication in a suitable manner may be organised outside the Sales Tax Department; the work may be entrusted either to the Bureau of Economics and Statistics or to any other suitable agency which can undertake it. Commodity-wise statistics should be collected in terms of the production and import of various goods in the State, the turnover of Sales inside the State and in the course of inter-State and export trade, the consumption of goods by different sections of the community, the production and sale of goods by agencies which need special care and nurture, like Village Industries and small-scale and cottage industries, the number of establishments of different kinds engaged in production and distribution inside the State classified into different sizes, the number of specialised distributing agencies like Commission Agents and the volume of their transactions, recovery of Sales Tax, etc. Government may have to take power by special legislation to require individuals and corporate bodies to furnish information to Government for the compilation and maintenance of these statistics. We have every hope that the additional labour entailed will not be grudged by the dealers concerned, since it is generally realised that the collection of statistics of this nature is in the public interest. It is also desirable that the services of important associations of trade and industry should be enlisted for this purpose so as to secure better co-operation from the mercantile community in this work. We consider it essential for securing such co-operation that definite assurances should be given to the members of the business community that the information obtained in this way will not be utilised in any manner for the purpose of proceedings under Sales Tax Laws and Rules. The accuracy of the information furnished for statistical purposes by members of the mercantile community, may be varified by resort to sample surveys. It is desirable to ensure that dealers who furnish the information are on no account called upon to attend the office of the authority collecting the information in order to substantiate the information furnished. At the office of the Collector of Sales Tax, the Statistical Branch may be strengthened in order to form a nucleus for research on various aspects of Sales Tax administration which are within the special province of the Collector of Sales Tax. We suggest that such a Branch when duly strengthened should, pending the organisation of an agency outside the Department, be able to start collection and publication of figures of Sales Tax receipts from groups of commodities and other statistical information relating to Sales Tax.

- 9.05 A suggestion has been made to us that the work of assessment may be carried out either at the premises of dealers, or if this is found to be inconvenient, at the offices of associations of trade and industry. We do not favour this suggestion. We understand that this was tried by the old Bombay State but was found to have brought down the speed of assessment work and to have reduced the extent of supervision and control that the superior officers of the Department should exercise over the subordinate officers. It also gave scope for contacts between the assessing authorities and the tax-payers beyond the sphere of their legitimate relationship. Assessment at dealers' premises.
- 9.06 It was suggested by some persons before us that the returns of Sales Tax required to be submitted under the Central Sales Tax Act of 1956 should be combined with the returns submitted under the State enactment. We do not think that such combination will give any special advantage to the dealers. The underlying object of this suggestion is that assessment under the State enactment as well as under the Central Sales Tax Act should be made simultaneously. We understand that this is already being done. Combined return of tax under State Law and Central Sales Tax Act, 1956.
- 9.07 Some doubts were cast by some individuals and associations who replied to our Questionnaire, on the propriety of the arrangements under which the same officer of the Department does the work of investigation including that of paying visits to a dealer's premises and of seizing his books of account, and also carries out the assessment of the dealer following upon such investigation. Considering, however, that in the matter of assessment there is no question of forming a definite opinion at the stage of investigation so as to prejudice a fair consideration, we do not see anything prejudicial in the arrangements objected to. In any case it is open to a dealer who feels that the assessment of his liability to Sales Tax by an officer who has conducted the investigation is likely to work out unfairly against him, to seek a transfer of his case to the file of another Sales Tax Officer. Investigation and assessment by the same Officer.
- 9.08 Some dealers brought it to our notice that difficulties were occasionally caused to them and also to the officers of the Department themselves by reason of frequent transfers of such officers and at short notice. It is of importance to give adequate notice of transfer to an officer in order to enable him to complete assessments or appeals in which he has already made substantial progress. It avoids causing of hardship and annoyance to a dealer who may have to attend afresh his assessment or appeal proceedings for the reason that the assessing or appellate officer was transferred without being able to complete the proceedings. Transfers of officers.
- 9.09 Some difficulty was felt in obtaining refund since it was necessary for the purpose to submit an application in writing within a prescribed time. An amendment carried out to Section 19 of the Bombay Sales Tax Act of 1953 has now enabled the Department to make a refund even without an application for refund having been made; the major cause for grievance on this account has thus been removed. In regard to refunds arising out of orders passed in appeal or revision, some difficulty is still felt; on Refunds.

account of the time taken before the case papers relating to the order reach the Sales Tax Officer who issues the cheque in payment of the amount refundable, the actual refund is not made for quite some time even after the passing of the order. We suggest that in order that no cause for grievance may exist even in this limited respect, it should be so arranged that a cheque in payment of the amount refundable may issue with the least possible delay after the order involving refund of tax is passed.

Production
of accounts
and records.

A grievance has been made that the power of calling for accounts and **9.10** records, which is delegated to subordinate officers, is sometimes mis-used and this causes harassment to a dealer. Besides, it is stated that some officers do not decide precisely as to what additional information is needed for the assessment of a case but pass orders for the production of further accounts and information in a general way. We realise that it may be necessary for an assessing officer, particularly an officer entrusted with special investigation, to ask a dealer to be present with all accounts and records without revealing to the dealer the exact information sought to be obtained therefrom. However, even in such cases, there should be no difficulty on the part of the officer in putting down in writing beforehand in official records the exact information required by him and the purpose for which such information is required, without revealing the contents of such records to the dealer. This will enable a superior inspecting officer to ascertain whether harassment is caused to dealers by unnecessarily calling upon them to bring large records. In other cases, however, where no risk is involved in the dealer knowing the line of investigation followed by the assessing officer, the officer should be as specific and informative as possible as regards the accounts and records and other information which the dealer should bring with him to the Sales Tax Office.

Difficulties
of catering
establish-
ments.

A special difficulty felt by the hotel trade was placed before us. Hotels **9.11** which have arrangement for both residence and boarding, charge a composite amount from their resident customers. In order to assess these hotels for their sales of food and drinks, the Sales Tax Officer has to divide the amount into two parts, namely, the amount charged for residence and amenities and services attendant thereto and that charged for boarding. Even among those falling within the same class, the circumstances of these hotels vary widely according, for example, to whether they are of Western or Indian style, the situation of the rooms occupied by the boarders, the provision of special facilities in these rooms, the location of the hotels, etc. There is, therefore, sometimes a disagreement as regards the correct amount out of the total bill paid by the customer which can be ascribed to the price of the food and drinks served to him. We have not been able to suggest any general standards in this regard for the reason that no uniform standard can be laid down. We, however, suggest by way of a practical arrangement that the associations of these hotels may hold discussions with Sales Tax authorities having local jurisdiction and arrive at a satisfactory formula applicable to the hotels in a local area classified broadly into suitable groups for the purpose. We also feel that in order that the assessing officer may give due consideration to the peculiar

features presented by the trade, at all places where the number of catering establishments would justify such a measure, a special Sales Tax Circle may be created for the purpose of assessment of such establishments exclusively.

- 9.12 On the question of the suitable composition of the Sales Tax Tribunal, it was suggested that the member nominated thereon on grounds of accountancy qualifications, should, in addition to having the prescribed qualifications, be a practising member of the Accountancy profession. We do not see any particular advantage in so restricting the selection; quite a large number of suitable persons possessing high accountancy qualifications and having considerable practical experience hold salaried appointments under various public bodies and commercial establishments.
- Composition
of Sales Tax
Tribunal.

A suggestion was also made that the retiring age of a member of the Tribunal should be the same as that of a judge of the Supreme Court. This is a reasonable suggestion which we commend to Government.

Retiring age
of member
of Tribunal.

- 9.13 Some differences exist about the requirements that bills and cash memos must compulsorily be issued, as provided in Section 21 of the Bombay Sales Tax Act of 1953. It has been urged that the provision in law for compulsory issue of bills and cash memos handicaps business. Since traders have often to cope with large numbers of customers at a time during rush periods, they find it difficult to cope with issuing of bills or cash memos. It has further been stated that customers frequently insist on the non-issue of bills and cash memos thinking that by doing so they avoid the tax payable on the transaction and that in view of the keen competition that traders have to face, very often they have to submit to such unreasonable requests in order to maintain their sales. In the composite system of tax recommended by us, the small retail dealer who sells directly to the customers, will be liable for payment of tax only on his total turnover of goods which are taxable at more than one point, and that too at a comparatively low rate. We do not think that there will be any incentive for evasion of tax by such dealers in collusion with customers or *vice versa*. We consider that the practice of issuing bills or cash memos is a commendable one and should be fostered rather than be discouraged by dispensing with the legal requirement which exists today. The difficulties felt in this regard will be removed if it is laid down that bills and cash memos will be issued in respect of transactions between one registered dealer and another and, where the buyer is not a registered dealer, if the compulsion is applicable only to dealers who have a turnover of more than Rs. 60,000 per annum and, further, to only such of their transactions as are of the value of more than Rs. 3 in each case.
- Issue of
bills and
cash memos.

- 9.14 An important question which we have considered is that relating to officers of the Department starting practice after leaving it. While there is nothing wrong, ordinarily, in such persons starting practice, there may be cases where a corrupt official, after having established contacts in the Department, may go out and start practice. It may be that in particular circumstances the Department might not have been able to make out a case for his dismissal. To prevent abuses of this nature we recommend that
- Appearance
by ex-
employees
of Sales
Tax
Department.

persons who have been removed or dismissed from service in the Department, should not be allowed to appear in Sales Tax proceedings. In respect of cases where an officer has not been removed and dismissed but has resigned, the Department should have the power to withhold permission, in suitable cases, to appear in such proceedings. Should a decision be taken to give the Department such a power, an order passed in the exercise of such power should be appealable in the ordinary manner.

BABUBHAI J. PATEL, *Chairman.*

GOPALRAO KHEDKAR.

ATMARAM R. BHAT.

GOPALDAS P. KAPADIA.

CHANDULAL B. SATIA.

G. V. PURANIK.

CHITTARANJAN R. RAJA.

GOVINDDAS SHROFF.

V. T. DEHEJIA.

P. N. DAMRY.

—*Members.*

S. K. GANGOPADHYAY,
Secretary.

Bombay, 31st August 1958.

APPENDICES.

APPENDIX I.

(See paragraph 1·02.)

QUESTIONNAIRE ISSUED BY THE SALES TAX ENQUIRY COMMITTEE.

PART I—BASIS AND STRUCTURE OF SALES TAX.

1. It is stated that a first point sales or purchase tax i.e. a tax levied at the single-point stage of the first sale or purchase of goods inside a State after their production tax levied or manufacture in, or import into, that State, has the following advantages :— at the first stage of sale or purchase.

(a) the administration of the tax is easy because the number of tax-payers is small and they constitute a compact body of dealers whose transactions are easily ascertainable ;

(b) such dealers are best able to maintain the requisite records and accounts in compliance with statutory requirements ;

(c) the consumer is not brought face to face with the tax as much as under a sales tax system involving levy at the stage of retail sale so that the impact of the tax is hardly noticed by the consumer ;

(d) the levy of sales tax of this type can be so regulated as to impose an equal burden on the goods produced in the country and on the goods imported from outside.

As against these advantages, it is stated that—

(a) a large number of relatively small producers, manufacturers and importers have to be made liable to pay the tax so that (1) the bigger tax-paying dealers may not be placed in a disadvantageous position, (2) to enable Government to raise adequate revenue, and (3) to enable it to deal effectively with the problem of evasion ;

(b) if the goods sold by the importers and manufacturers pass through one or two additional stages before they reach the consumer, the effect of the tax will be to raise the price of the goods since the margin of each subsequent trader's profit will also be added to the tax paid at the first stage ;

(c) as compared with a single-point tax imposed on the last stage of sale or purchase, the first stage tax has the effect of being cumulatively added to the price of a commodity which passes through several hands in course of processing or manufacture before it takes the final shape in which it is sold to the consumer ;

(d) a first stage sales tax is comparatively inelastic ; the articles to which it can in practice be effectively applied are only those which are readily identifiable and the scope for increasing the rate of tax is limited by the incentive for evasion that very high rates of levy afford ;

(e) it gives an incentive to the smuggling of goods from outside the State because it is comparatively difficult for the authorities to ascertain at the semi-wholesale or retail stages whether the goods have paid the first point levy. The difficulty of patrolling the State boundaries is also great in a State with an extensive boundary line.

(i) What are your views on the advantages and disadvantages narrated above of a first stage sales or purchase tax ?

(ii) Are you aware of any other advantages or disadvantages of the tax ? If so, please state them.

Single-point tax levied at the last stage of sale or purchase. 2. In favour of a single-point tax levied at the last stage of sale or purchase, it is stated that—

(a) the incidence of the tax can be controlled in that since all the sales or purchases in the chain of transactions preceding the last one are exempt from tax, the amount of the tax is not cumulatively added to the price of the article as is the case with a multi-point tax;

(b) it is practicable in such a system of tax to collect a given amount of revenue by the levy of tax at a rate or rates lower than in a single-point tax levied at the first stage, in view of the fact that under this system it is practicable to tax a larger range of goods than under the latter one and that the tax is calculated on a bigger turnover, namely, the price of the commodity at the last stage of sale which is higher than that charged at the point of sale immediately after manufacture or import;

(c) as against a multi-point tax, this system of tax admits of a selective variation of the rates of tax and it can be higher on costly goods and on goods which enter more into the consumption of well-to-do classes;

(d) it is feasible to collect an adequate amount of revenue under this system of levying tax on a comparatively fewer number of tax-payers by prescribing a higher limit of minimum turnover than is possible under the multi-point system;

(e) it is easier to operate a system of exemption of specified goods under a single-point system than under a multi-point system of tax;

(f) since the incidence of the tax is only at the last stage of sale, the burden on industry is limited and controlled; since this system admits more easily of exemption to industry and trade in respect of goods entering into export or inter-State trade, the competitive position of trade and industry in the State can be maintained;

(g) this system of tax does not, unlike the multi-point tax, tend to interfere with the established pattern of trade and industry;

(h) under the single-point tax levied at the last stage, the consumer knows clearly the amount of tax burden that he has to bear and can, therefore, protect himself against an illegitimate charge or an overcharge by way of addition to the price he pays for an article.

As against this, it is stated that—

(a) the system imposes a disproportionate burden on the tax-payers by way of elaborate and additional accounting in order to ensure that the transactions prior to the last stage of sale are not subjected to tax;

(b) from the stand-point of administration of tax also this system is more complicated than the multi-point system in view of the fact that in assessing the amount of tax payable by a dealer, careful scrutiny is necessary to see that transactions in fact liable to tax are not passed off as those not taxable;

(c) this system offers a wider scope for evasion than either the single-point tax levied at the first stage or a multi-point levy for the reasons that—

(1) the number of tax-payers involved is much larger than under the first point levy and is also more widely dispersed so that it is less easy to ascertain their transactions,

(2) since in practice it is not easy to trace an article through the various stages through which it passes in a chain of transactions, it is very difficult to tackle a fraudulent claim which may be made by a dealer that a particular transaction is not taxable, and

(3) as compared to a multi-point tax, the rates of levy under this system are higher and accordingly this system provides greater incentive to evasion;

(d) in view of the relatively more stringent scrutiny that has to be carried out of the accounts of a dealer under this system, it affords greater scope for harassment of dealers and corruption among officials.

- (i) What are your views on the advantages and disadvantages narrated above of a single-point sales tax levied at the last stage of sale or purchase?
- (ii) Are there any other advantages or disadvantages of which you are aware? If so, please state them.

3. A variant of the single-point system of tax is the one in force in the area of Two-point the old State of Bombay. Under this system, which is popularly known as Sales Tax, a two-point system, the tax is levied both at the point of entry of an article into the stream of sale and purchase transactions and also at the point of its exit therefrom. It is stated in favour of this system that —

(a) it combines the advantages of a system of single point tax levied at the first stage and of one levied at the last stage of sale or purchase;

(b) this system of tax is better than either of the two forms of single-point tax from the standpoint of controlling evasion; by splitting the incidence of the tax into two parts the two-point system reduces the incentive for evasion and the fact that an article is taxed at two stages of sale or purchase affords greater safeguard against evasion than if it were to be taxed only at one stage.

As against these advantages, it is stated that —

(a) this system combines the disadvantages of both the types of single-point levy;

(b) the arrangements for exemption, set-off and refund, which are a necessary feature of this system, have made it very cumbrous from the administrative point of view and very complicated from the standpoint of tax-payers;

(c) the tax-payers have to bear a heavy burden of accounting and other work in order to comply with statutory requirements which is altogether disproportionate to the revenue derived from the tax.

- (i) What are your views on the advantages and disadvantages narrated above of the two-point Sales Tax system?
- (ii) Are you aware of any other advantages or disadvantages of this system of tax? If so, please state them.

4. A multi-point tax, i.e., a system of tax levied on all sales or purchases of Multi-point a dealer irrespective of whether the goods involved have borne tax at a previous Tax, stage or stages of sale or purchase or will bear the tax at a subsequent stage or stages of sale or purchase, has, it is stated, the following advantages:—

(a) the accounting and other work involved for dealers in complying with the statutory requirements are simple; therefore the system of tax causes the least hardship to dealers;

(b) if the rate of tax is kept sufficiently low, its incidence will hardly be felt by the dealers or by the consumers; at the sametime the yield of revenue will be substantially the same as under alternative systems of tax;

(c) the administration of the tax system is simple since there is no need to trace commodities through stages of sale or purchase and the number of articles exempted can be kept to the minimum.

As against these merits, it is stated that the multi-point sales tax suffers from the following defects:—

(a) if the tax is to be levied in an administratively feasible form, a large number of small dealers have to be excluded from its scope, in which case, to compensate therefor, the rate of tax has to be fixed comparatively higher;

(b) the various intermediate links in the chain of passage of goods from the stage of production or import to that of their ultimate consumption, tend to be eliminated under this system; alternatively, a system of exemption of some of the dealers at the intermediate stages has to be arranged, which lends itself to misuse at the hands of unscrupulous persons;

(c) the incidence of the tax on various commodities falls unequally since it is greater in respect of goods which pass through a larger number of intermediate stages of sale;

(d) the tax is by its very nature very regressive in its incidence since the rate of tax cannot be stepped up progressively in relation to the cost of the taxed goods;

(e) the comparatively large number of dealers from whom the tax has to be collected and the relatively small amounts which the majority of such dealers contribute, tend to add to the cost of administration of the tax;

(f) a purely multi-point tax cannot bring sufficient revenue: it is necessary to supplement it by other varieties of sales tax, e.g., additional single-point tax on selected goods, or exclusively single-point tax at first or last stage of sale or purchase on selected commodities;

(g) the tax has the general effect of increasing the cost of production by adding to the cost of raw and processing materials, fuels, lubricants, etc., it also adds to the price of imported goods according to the number of stages they pass through before they are sold in the course of inter-State trade. Accordingly, such a system of tax adversely affects the competitive position of dealers in a State which is relatively highly industrialised and has an extensive entrepot trade, in relation to dealers in other States;

(h) the incidence of the tax is higher in rural areas on imported and manufactured commodities since they pass through a larger number of intermediate stages of sale before reaching the rural areas.

(i) What are your views on the advantages and disadvantages narrated above of the multi-point sales tax system?

(ii) Are you aware of any other advantages and disadvantages of this system of tax? If so, please state them.

Choice of
system of
Sales Tax.

5. (i) Taking into consideration the advantages and disadvantages of the various systems of Sales Tax dealt with in the preceding questions and bearing in mind the revenue needs of the State, what system of Sales Tax would you recommend for being applied uniformly throughout the State of Bombay in place of the varying systems now in force?

(ii) Please give the broad outline of the system that you would recommend, indicating :—

(a) the rate or rates of tax;

(b) the minimum limit or limits (e.g., different limits in respect of different classes of dealers or goods) of turnover for liability to tax;

(c) the goods which should be exempted from tax and those which should be taxed at a concessional rate or rates;

(d) the classes of sale and categories of dealers which should be exempted from the tax;

(e) the stage or stages of sale or purchase at which any class or classes of goods should be taxed differently from the general system of levy (e.g., certain agricultural commodities may be taxed at the stage of their first purchase or at that of last purchase before despatch outside the State); and

(f) the special measures to be taken to guard against evasion of tax.

Please give reasons in support of your recommendation in respect of each of the items mentioned above.

(iii) Please also state the comparative merits of the system recommended over those of other systems in respect of the ease with which it can be administered, the simplicity with which dealers can meet the statutory requirements of the tax system and equity of distribution of the burden of tax falling on different classes of consumers.

6. (i) Assuming that a single-point tax leviable at the first stage of sale or purchase is to be introduced in place of the existing system of Sales Tax in Bombay State, would you like it to be applied to all goods or only to specified goods? Single-point tax levied at first stage of sale or purchase.

(ii) In case you would like it to be applied to all goods, would you suggest a uniform rate of tax for all goods or would you suggest different rates for different classes of goods?

(iii) If you suggest that the tax should be applied to selected goods only on which goods should it be levied and at what rates?

(iv) Would you suggest any minimum turnover limit for liability to the tax? If so, what limit or limits would you suggest?

(v) On what principles should goods, if any, be selected for exemption from the tax?

(vi) Which goods, if any, should be selected for levy of tax at the point of purchase instead of that of sale?

(vii) What difficulties do you foresee either in the administration of the tax or in compliance by dealers and what suggestions would you make to remove these difficulties?

7. Should you think that a single-point tax levied at the first stage of sale or purchase is not by itself a suitable or adequate system of tax, would you consider it to be suitable for limited use as a part of, or in combination with, any other system or systems of tax? If so, please give the broad details of the combined system of tax that you would recommend in this context. Combination of Single-point tax levied at first stage of sale or purchase with other forms of tax.

8. (i) Assuming that a single-point tax levied at the last stage of sale or purchase is to be applied uniformly in all the areas of the State of Bombay in place of the systems in force, what rate or rates of levy would you suggest? Single-point tax levied at the last stage of sale or purchase.

(ii) In case you would like it to be applied to all goods, would you suggest a uniform rate of tax for all goods or would you suggest different rates for different classes of goods?

(iii) If you suggest that the tax should be applied to selected goods only, on what goods should it be levied and at what rates?

(iv) Would you suggest any minimum turnover limit for liability to the tax? If so, what limit or limits would you suggest?

(v) On what principles should goods, if any, be selected for exemption from the tax?

(vi) Which goods, if any, should be selected for levy of tax at the point of purchase instead of that of sale?

(vii) To what extent are the existing systems of Single-point last stage tax in force in Saurashtra, Kutch and Vidarbha areas and a similar system of tax which was in force in the old Bombay State under the Bombay Sales Tax Act of 1946, a good guide in this regard?

(viii) What difficulties do you foresee either in the administration of the system of tax or in compliance therewith by dealers and what suggestions would you make to remove them?

(ix) Taking into account the per capita incidence of tax in these areas and the figures of total collection of tax in each of these areas, do you think that it will be possible to derive an adequate revenue from this system of tax applied in all areas of the State at the rate or rates of levy in force in Vidarbha, Saurashtra, Kutch or which were in force under the Bombay Sales Tax Act of 1946?

(x) Will you suggest supplementing of this system of tax by a levy of tax at the first stage of sale or of purchase, on selected goods? If so, please state the principles which should govern the selection of such goods and the rates of the levy.

Multi-point
Tax.

9. (i) Assuming that a multi-point system of Sales Tax is to be applied uniformly to all the areas of the State of Bombay in place of the systems at present in force, would the system of such tax which is in force in the Marathwada districts of the State be a good guide both as regards the basis and structure of the tax system as well as in respect of the rates of levy?

(ii) What departures, if any, from this system would you recommend in order to remove the defects or hardships of the system caused to dealers or to consumers and in order to increase the revenue derived from the tax?

(iii) Which of the goods on which at present an additional tax at the rate of 3 per cent., is levied in the Marathwada districts, should be removed from the list of goods subjected to such additional tax and which goods should be added to this list?

(iv) Should the rate remain uniform as at present or should there be different rates varying with the nature and price of goods?

(v) Should the list of goods on which only a single point levy is at present in force in the Marathwada districts be changed? If so, which goods should be added to or removed from it? What rate or rates of single-point levy would you suggest?

(vi) Are any special measures necessary to make the law simpler for implementation by Government and for compliance by the dealers and also by way of safeguard against escape of transactions from tax?

Two-point
Tax on the
model of the
Bombay
Sales Tax
Act, 1953.
Combination
of a multi-
point and
a single-
point tax.

10. Assuming that a Two-point system of Sales Tax is to be introduced on the lines of that in force under the Bombay Sales Tax Act of 1953, what modifications of the system would you recommend to make it simpler for both Government as well as for the dealers?

11. In one of the States in India a multi-point system of tax is in force comprising :—

(a) a general turnover tax levied at the rate of 2 per cent. on all dealers having an annual turnover of not less than Rs. 10,000;

(b) an additional levy at suitable rates on the first sale of specified goods generally referred to as luxury goods, and

(c) an exclusively single-point levy at suitable rates on specified goods at the stage of first sale and, in respect of certain other goods, at the stage of first purchase or last purchase.

Should such a system of Sales Tax be introduced in the State of Bombay—

(a) Which goods should be subjected to the additional levy and at what rate or rates?

(b) Which goods should be subjected to a single-point levy on first sale, which to a single-point levy on first purchase and which to that on last purchase?

(c) Please state the principles that should govern the selection of goods and the rates for the levies under (a) and (b).

12. It has been stated that the Sales Tax in a suitable and not unduly burdensome form should reach the lower income groups and should cover a large number of persons. To make it possible to do so the rate of tax has to be low and the system a multi-point one. All dealers having an annual turnover exceeding, say, Rs. 5,000 per annum, should, therefore, be made liable to the multi-point tax. There should be no exemption in favour of any article whatsoever. The rate of tax should not be unduly high. In addition, a single-point levy at suitable rates related to the cost of the goods selected for the purpose of such levy or to the relative economic conditions of the sections of the population which normally consume them, should be imposed. The additional single-point tax should be payable by dealers having an annual turnover exceeding, say, Rs. 30,000.

(i) State your views on these suggestions.

(ii) If you approve of such a system of tax, indicate the rate of turnover tax, that you would recommend and the goods which should be selected for the purpose of single-point levy and also the rate or rates at which tax should be levied on the sale of these goods.

13. (i) What in your opinion, would be the special difficulties, if any, to industry and trade under a multi-point system, which would not arise under a single-point or two-point system?

(ii) Can you suggest any means of overcoming such difficulties arising under a multi-point system?

14. (i) Do you consider the definitions contained in various Sales Tax laws in force in the State of Bombay, relating to terms such as 'dealer', 'sale', 'purchase', 'turnover', and other important terms to be satisfactory?

(ii) Would you like to suggest alternative definitions of such terms? Are there any other terms that you would like to be defined? If so, please suggest their definitions.

(iii) In this connection would you include 'transfer of property in goods involved in the execution of a works contract' in the definition of a sale as has been done in the Sales Tax laws in force in the Marathwada and Vidarbha districts and in Kutch? What other elements would you include or exclude from the definition of sale?

15. (i) Which goods, if any, should in your opinion, be totally exempted from tax under the system you recommend and which goods should be subjected to concessional rate or rates of tax?

(ii) Please state the principles which you think should govern the selection of goods for exemption or for concessional treatment.

(iii) Please state the conditions, if any, subject to which such exemption or concessional rates should be granted so as to ensure that the benefit thereof is restricted only to those goods which are eligible therefor.

16. (i) In view of the special importance in the economic life of the country, of village industries enumerated in the Khadi and Village Industries Commission Act, 1956 (Central Act LXI of 1956), would you advocate the total exemption from tax of the goods produced by such industries?

(ii) Would you recommend such exemption also to products of small-scale and cottage industries other than those enumerated in the Khadi and Village Industries Commission Act, 1956?

(iii) Considering that the exemption to the products of village industries and small-scale and cottage industries may give scope for evasion of tax to dealers in goods resembling the products of such industries what measures would you suggest for checking such evasion?

(iv) Please also state your views on the grant of exemption or concessions to co-operative ventures in the field of production and manufacture.

Taxation of
the sale of
Intoxicants.

17. Under the Bombay Sales of Intoxicants Taxation Act, 1953, tax is levied at various rates on sales of liquor, opium, hemp drugs and spirituous medicinal preparations in addition to tax leviable thereon under the Bombay Sales Tax Act, 1953. In the areas of the State of Bombay other than that which prior to Re-organisation formed part of the original Bombay State, no such special legislation is in force; tax on sale of goods of these categories as is levied in those areas is levied in accordance with the general law relating to Sales Tax.

(i) In the single uniform system of Sales Tax that will be introduced in the State, should there be a separate legislation for tax on sales of these categories of goods on the lines of the Bombay Sales of Intoxicants Taxation Act, 1953, or should the provisions thereof be comprised within the general law relating to Sales Tax?

(ii) In either case, i.e. under a special legislation or under the general law relating to Sales Tax, what should be the principles governing the taxation of these goods?

(iii) What are the principles that you would follow in the selection of spirituous medicinal preparations for exemption from tax? What practical difficulties do you envisage in applying these principles, e.g., in distinguishing medicines eligible for exemption from those bearing similar names which are not so eligible? Can you suggest a way to overcome such difficulties?

PART II—ADMINISTRATION OF SALES TAX LAWS.

Multiplicity
of rates of
levy.

18. The rates of levy vary from commodity to commodity under each of the Sales Tax systems in force in the several areas of the State of Bombay. Further, in respect of the same commodity, different rates of levy are sometimes prescribed with reference to differences in the prices charged (e.g. serial No. 43 of Schedule "B" of the Bombay Sales Tax Act, 1953).

(i) Do you think that such differences in rates of levy cause any considerable difficulty to dealers or consumers?

(ii) What recommendations, if any, would you make so as to remove the difficulties without at the same time reducing the amount of revenue derived?

Tax free
purchases,
drawback,
set-off and
refunds of
tax paid on
purchases.

19. It has been suggested that one principal difficulty felt by dealers governed by the Bombay Sales Tax Act, 1953 and the rules framed under it, is the multiplicity of certificates and declarations which they have to furnish and the complex and elaborate accounts they have to maintain in order to qualify for making tax-free purchases and for obtaining draw-back, set-off, or refund.

(i) In case you subscribe to this view, please state in detail which are the features of this system which cause such difficulty.

(ii) What recommendations, if any, would you make in order to improve or, if necessary, to substitute the existing arrangements in this regard without adversely affecting the facility of making tax-free purchases and of draw-back, set-off, or refund?

(iii) Please state the ways in which the arrangement suggested by you may be open to misuse by unscrupulous dealers and indicate how to guard against such misuse.

20. The Sales Tax laws in force in the several areas of the Bombay State contain provisions for registration, licensing and authorization of dealers. Registration, Licensing and Authorization.

- (i) Have you any comments to offer on the need for registration, licensing or authorization as such, under any system, of Sales Tax ?
- (ii) What difficulties, if any, have been experienced by tax-payers on account of the provisions contained in the laws in force in Bombay State relating to registration, licensing and authorization ?
- (iii) Have you any suggestions to remove such difficulties ?

21. It is stated that the procedure laid down under the Bombay Sales Tax (Exemptions, Set-off and Composition) Rules, 1954, in respect of draw back, set-off or refund is unduly complicated and presents difficulties to dealers in complying with it. Exemptions, set-off and refund of tax paid on purchases.

- (i) Please state in detail the nature of difficulties experienced by the dealers and suggest ways and means of removing them.
- (ii) Please examine in what ways the suggested measures may be misused by dishonest dealers and suggest safeguards against such misuse.

22. It is stated that the dealers claiming exemption under section 8(a)(i) of the Bombay Sales Tax Act, 1953, who have made purchases both from registered dealers as well as from unregistered dealers, of goods, the subsequent sales as well as the unsold stocks of which cannot be identified with reference to each such purchase, are put to difficulty in substantiating their claim for exemption. Please state the nature of such difficulties and suggest means for removing them. Exemption from tax of purchases from registered dealers.

23. It has been stated that the Bombay Sales Tax Act, 1953 and the rules framed under it complicate matters for dealers by reason of the numerous forms and registers which are prescribed. Multiplicity of forms and registers.

- (i) Please indicate the prescribed forms which the different main categories of dealers have to fill and state the difficulties experienced by them in filling these forms.
- (ii) Please state in this connection whether dealers have to obtain the services of experts for filling these forms, and, if so, what is the approximate expenditure per annum incurred by an average dealer in doing so.

24. Under the Sales Tax laws in force in some of the areas of the Bombay State, the dealers liable to tax have to submit monthly and quarterly returns. Annual returns.

- (i) Would you substitute the requirements of submissions of such monthly or quarterly returns by a system under which tax would be payable monthly or quarterly in instalments calculated on the basis of the assessment of the previous year or of the estimated turnover of the current year and only one return for a whole year is required to be submitted at the end of the year ?
- (ii) Should you favour such a substitution, please indicate the ways in which it will be of advantage to dealers.

25. The scheme of composition of tax payable by assesseees as contained in the Sales Tax laws in force in the several areas of the State of Bombay, has not been availed of to any considerable extent. Composition of Tax.

- (i) Please state the reasons due to which dealers have not taken advantage of the scheme of composition of tax and how they can be remedied.
- (ii) Would you advocate the extension of the scheme of composition, which is at present restricted to small re-sellers, to additional categories of dealers like, say, small manufacturers or processors? If so, what modifications in the scheme already in force should be made so as to make it applicable to such additional categories of dealers ?

Delay in assessment. 26. (i) Have you come across any instances of avoidable delay on the part of the Sales Tax Department in the work of assessment?

(ii) How would you like the Department to proceed so that the work of assessment is done promptly?

(iii) Would you like to suggest any way in which the dealer himself can also help in expediting the process of assessment?

Avoidable inconveniences and hardships. 27. It is stated that the administration of the Sales Tax laws in force in the several areas of the State of Bombay, causes considerable inconveniences and hardship to dealers that could have been avoided.

(i) Please give details of such inconveniences and hardships and state how they are caused.

(ii) Please state how Government can remove these inconveniences and hardships without altering the basic features of the system of tax.

Penalties and Prosecutions. 28. (i) Have you any remarks to offer on the provisions contained in the Sales Tax laws in force in the several component areas of the State of Bombay on the subject of penalties and prosecutions?

(ii) Would you in this connection distinguish between mere technical violations of the law and violations made with a motive to defraud Government and subject only the latter to prosecutions? Please state reasons in support of your views.

Relations between assesses and Sales Tax personnel. 29. (i) Have you any remarks to offer on the manner in which assesseees are treated by the personnel of various categories of Sales Tax Department including Gazetted Officers as well as members of the non-Gazetted staff?

(ii) Is it your general impression that there is lack of courtesy amongst Sales Tax personnel and that they do not pay sufficient attention to the convenience of the tax-payers?

(iii) Would you suggest the appointment of Public Relations officers to look after the needs of assesseees and of other who represent them in order that the relations between the personnel of the Sales Tax Department and the assesseees and their representatives may improve?

(iv) What other suggestions, if any, would you make so as to improve the relations between the personnel of the Sales Tax Department and the assesseees and their representatives?

Adequacy of arrangements for obtaining authoritative interpretations. 30. Do you consider the provisions contained in section 27 of the Bombay Sales Tax Act of 1953 and similar provisions in the other enactments in force in the several areas of the Bombay State, to be wide enough for the purpose of obtaining authoritative interpretations of the various provisions of the Sales Tax Laws? Do you think that members of the public interested in such interpretations are taking adequate advantage of these provisions? Should you think that they are not doing so, please state what their difficulties are. What improvements, if any, would you suggest in this regard?

Double Taxation-Relief/avoidance. 31. Under the present legislation have you experienced difficulties by way of double taxation (i.e., taxation by two States in respect of the same transaction) as a result of incorrect interpretation at the hands of one or the other State in India? If so, would you advocate the inclusion of double taxation avoidance and/or relief provisions in the Sales Tax Legislation? Will such provisions smoothen the administrative procedure? If so, suggest the nature of such provisions and also state whether you would suggest such provisions to be incorporated in the Sales Tax legislation of other States in India?

32. Leaving aside considerations of feasibility under the Constitution for such collections, how far do you think it is practicable to collect Sales Tax on goods at the manufacturing stage otherwise than by way of Excise Duty but through the machinery of the Department of Central Excise of the Government of India, which may be authorised by the State Government to collect the tax for and on behalf of the State Government on all goods on which such Excise Duties are levied, taking into consideration the need for providing a machinery for exemption or refund on goods exported from this State or used in the manufacture of other goods and of levying the tax on such goods imported into the State and of giving refund in the case of further export from the State or conversion into other goods.

Collection of Sales Tax by the Department of Central Excise.

33. Under the arrangements in force at present, objections are invited from members of the public to rules proposed to be framed under the Sales Tax Laws applicable to different areas of the State of Bombay. Such objections as are received are taken into consideration before the proposed rules are given their final shape and are promulgated. It is stated that these arrangements are inadequate and that public response to the notifications inviting objections is not satisfactory.

Framing of Rules.

- (i) Do you subscribe to this view? If so, please state the reasons in support of your view.
- (ii) What improvement or alternative arrangement would you suggest for ascertaining the views of the public on proposed rules?
- (iii) Would you in addition consider it desirable to refer the proposed rules to an advisory body to be constituted for the purposes or for the general purpose of aiding and advising Government in regard to the administration of Sales Tax Laws? Please state reasons in support of your views.

34. (i) What procedure, if any, would you suggest in the matter of Appeal and Revision?

Procedure of Appeal and Revision.

(ii) Have you any particular preference for any of the systems in force in Bombay State in so far as provisions contained therein for appeal and revision are concerned?

(iii) Please suggest modifications if any, in the existing arrangements to improve the position in this regard.

PART III—COMMISSION AGENTS.

35. A large volume of business is conducted in the State of Bombay by Commission Agents, particularly in the spheres of inter-State and export trade. Under the existing laws, such Commission Agents come within the scope of the definition of the term 'dealer' and, accordingly, the transactions entered into by them attract the relevant provisions of these laws. Would you suggest exclusion of these Commission Agents from the definition of the term 'dealer'? Please give reasons.

Exclusion of Commission Agents from definition of 'dealer'.

36. Should you suggest exclusion of Commission Agents from the definition of the term 'dealer', how can it be ensured that the liability for Sales Tax in respect of the purchase and sale transactions entered into by a Commission Agent is discharged by the principal on whose behalf he has transacted business?

Liability for tax attaching to transactions of Commission Agents.

37. (i) What difficulties, if any, are experienced by Commission Agents in the spheres of trade inside the State and of inter-State trade which can be redressed by suitable legislation within the competence of the State?

Difficulties of Commission Agents.

(ii) Please suggest what action by way of legislation or otherwise should be taken in this regard to remove these difficulties.

Tax free
purchases
by
Commission
Agents on
behalf of
non-resident
principals.

38. In view of the decisions of courts that the relationship between a Commission Agent and his principal is not that of a seller and a buyer, Commission Agents doing business in the State of Bombay cannot make tax-free purchases on the strength of certificates in Forms J, K and N prescribed under the Bombay Sales Tax (Registration, Licensing and Authorization) Rules, 1954 or of corresponding declarations prescribed under the other laws in force in the respective areas of the State of Bombay, except when the Commission Agents make such purchases on their own behalf, their profit being shown as Commission, the relative documents being on the basis of principal and agents.

- (i) Do you consider that an arrangement as described above, has an adverse effect on the trade of Bombay State with other States?
- (ii) Would you, in this context, consider it to be adequate to have a system of licensing of Commission Agents and of allowing such licensed Commission Agents to make tax-free purchases of goods meant for despatch out of the State on the strength of a certificate in a suitable form, subject to levy of a purchase tax at a rate or rates corresponding to the rate or rates leviable on inter-State sale of goods?
- (iii) Can you suggest any alternative means of safeguarding the interests of Commission Agents?

If so, please give the details thereof.

PART IV—EVASION AND CORRUPTION.

Evasion.

39. (i) What is your estimate of the extent of the evasion of Sales Tax in Bombay State?

(ii) What in your opinion are the factors (a) which facilitate and (b) which offer an incentive for such evasion?

Adequacy
of existing
enforcement
machinery
and
methods.

40. (i) What is your opinion of the effectiveness of the existing machinery of the Sales Tax Department and of the methods employed by that Department in dealing with the problem of evasion?

(ii) What suggestions, if any, would you make for improving the working of this machinery?

(iii) What new methods, if any, would you suggest for dealing with evasion?

Search of
premises,
seizure of
books and
production
and
inspection
of books
and
documents.

41. It is stated that the provisions contained in the various Sales Tax laws in force in the several areas of the State of Bombay in relation to search of dealers' premises, seizure of books and production and inspection of accounts and documents, give scope for harassment of dealers. It is also stated that unnecessary visits are paid by personnel of the Sales Tax Department to premises of dealers in order to harass them and to extract illegal gratification or other benefits from dealers.

(i) Please state the facts, if any, that you may have in support of or against such statements.

(ii) In what ways, if any, would you modify the existing legal provisions in this regard so as to prevent their mis-use by corrupt officials?

(iii) What suggestions would you make for the exercise of such powers and the level at which and the manner in which they may be exercised?

Harassment
of dealers.

42. It is stated that harassment is caused by corrupt officials in order to extract illegal gratification or other benefits from dealers by taking advantage of the inadequacies or the complexities of the Sales Tax laws and their administration.

(i) Please state what are the different forms in which such harassment, if any, is caused to dealers.

(ii) Which are the inadequacies and complexities of Sales Tax laws in force in the several areas of the State of Bombay and of their administration, which give scope for harassment and how would you remove those inadequacies and complexities?

PART V—GENERAL.

43. If you have any suggestion relevant to the terms of reference of the Sales Tax Enquiry Committee but which does not arise by way of reply to any of the foregoing questions, including a suggestion or suggestions favouring the introduction of a system of Sales Tax not touched upon in these questions please give the details thereof.

Suggestions not covered by previous questions.

NOTE.

1. It will be appreciated if the reply to each part of the questionnaire is sent as it is ready. The last date for the receipt of replies to all parts of the questionnaire is the 28th of February 1958.

2. Please begin your reply to each part on a separate page and send 15 copies of your replies to facilitate consideration by the Sales Tax Enquiry Committee. The replies should, as far as possible, be type-written or printed and should be sent to the address of the Secretary of the Committee. Where the replies are printed or mechanically duplicated, 30 copies may please be made available to the Committee. Should you find it convenient to make copies of your reply, even one copy of it will be welcome to the Committee.

3. It will be appreciated if in replying to the questionnaire the terms of reference of the Committee (*vide* Appendix A) are borne in mind. In particular, the fact that the recommended system of Sales Tax should, among other things, meet the revenue requirements of the State, may please be kept in view.

4. If you do not wish to reply to all the questions, please reply to as many of them as you like. No inference will be drawn from the fact that other questions have not been replied to. Your replies should state in full, your views on the questions replied to.

5. Nothing contained in any of the questions should be construed as representing the views of the Sales Tax Enquiry Committee or of Government.

APPENDIX "A".

Extract from Government of Bombay, Finance Department, Resolution No. STA/1057/G-1, dated 3rd December 1957, constituting the Sales Tax Enquiry Committee.

"On the formation of the new Bombay State as from November 1, 1956, the various Sales Tax Laws of the States which have, in whole or in part, come to form the present State of Bombay, have continued to remain in force in the respective areas of the present State of Bombay, except for routine changes by way of adaptations under section 120 of the States Reorganisation Act, 1956, and certain legislative amendments which have not altered the Laws except in minor details. Changes effected in rules and orders issued under these laws have also had the same effect of not altering the *status quo* basically. The question of replacing the various systems of Sales Tax by a single uniform system applicable to the entire State has, however, been engaging the attention of Government since the Re-organisation took place. It was accordingly announced by the Governor of Bombay in his Address to the Joint Session of the Legislature on June 19, 1957, that after the publication of the Report of the Finance Commission, Government would appoint a Committee to advise Government on the unification of these Laws.

2. Consequently, Government has decided to constitute the Committee with the following personnel :—

- | | |
|---------------------------------|---------------|
| 1. Shri Babubhai J. Patel | ... Chairman. |
| 2. Shri Gopalrao Khedkar, M.P. | } Members. |
| 3. Shri Atmaram R. Bhat, M.L.C. | |
| 4. Shri Gopaldas P. Kapadia. | |
| 5. Shri Chandulal B. Satia. | |
| 6. Shri G. V. Puranik. | |
| 7. Shri Chittaranjan R. Raja. | |
| 8. Shri Govinddas Shroff. | |
| 9. Shri V. T. Dehejia, I.C.S. | |
| 10. Shri P. N. Damry, I.A.S. | |

Shri S. K. Gangopadhyay, I.A.S., Deputy Secretary, Finance Department, shall act as Secretary to the Committee,

3. The terms of reference of the Committee are as below :—

(i) To recommend a system of Sales Tax that can be applied uniformly to all the component units of the State of Bombay in replacement of the various Sales Tax Laws now in force, keeping in view the revenue requirements of the State for the due fulfilment of the Second and successive Five-Year Plans,

(ii) To examine the systems of administration of the Sales Tax Laws and to indicate in what respect they can be improved so as to simplify the procedure in assessment of Sales Tax, ensuring at the same time avoidance of evasion of tax."

APPENDIX "B".

Broad features of Sales Tax Laws in force in Bombay State.

The following are the broad features of the systems of Sales Tax in force in various areas of the State of Bombay :—

(i) *Pre-Reorganisation Bombay State Area.*—The system of Tax is what is popularly called a two-point tax. Under this system part of the tax is levied at the first stage of sale of the goods liable to tax, after they are produced or manufactured in, or imported into, the State and another part is levied on the sale of the same goods to a person not liable to tax, whether he is small dealer or the ultimate consumer. The sale of a large number of goods consisting mostly of articles of consumption of the comparatively poorer sections of the community, is exempted from tax altogether. Bullion and specie are charged at $\frac{1}{4}$ per cent. at each of the two stages of sale at which tax is levied. On a large number of goods, including those declared under section 14 of the Central Sales Tax Act, 1956 (except cotton yarn, which is exempted from tax), tax is levied only at one stage of sale. The rates of levy on sales of goods liable to tax vary according to the cost of the goods the economic conditions of the sections of the population which mainly consume the goods and other factors such as whether the goods are not already subjected to tax under some other State law. There are provisions for set off/refund of tax paid by manufacturers or processors on their purchases of raw materials, processing materials, fuel, lubricants and packing materials. Machinery purchased by manufacturers and by processors are exempted from the second point tax. Sales of goods meant for further sales in course of inter-State trade or of export by the purchaser himself or by dealers who purchase from him are exempted from tax under certain conditions. The incidence of the tax is on a dealer whose total annual turnover is more than Rs. 25,000 ; in the case of a dealer who is an importer or who is processor or a manufacturer, the turnover limit is Rs. 10,000 per annum. A transfer of property in goods supplied in the execution of a works contract does not constitute a sale for the purpose of levy of tax. The yield from the tax during the year 1956-57 was Rs. 24,29,58,623. This figure does not include the

receipts from Belgaum, Bijapur, Dharwar and Kanara Districts transferred as from 1st November 1956 to Mysore State. The incidence of tax per head of population was Rs. 7.89.

(ii) In the Vidarbha Districts of the present State of Bombay, the system of levy is what is known popularly as single point tax. The tax is levied at the stage of sale to a dealer not liable to tax or to the ultimate consumer. As in the two point system of tax, a large number of goods entering into the consumption of the poorer sections of the community are exempted from the tax. Sales ultimately leading to export out of India or to sales in course of inter-State trade, are exempt from tax. Goods purchased by manufacturers or processors for use in the course of manufacture are also exempt from this single-point tax. The incidence of the tax is 2 per cent., 3 per cent., or 7 per cent., according to the nature of the goods. The liability to tax is on every dealer with an annual turnover exceeding Rs. 25,000 per annum; in the case of a processor or manufacturer the turnover limit is Rs. 10,000 per annum. A transfer of property in goods supplied in the execution of a works contract constitutes a sale for the purpose of levy of tax. The amount of tax collected during 1956-57 in this area came to Rs. 1,92,51,227. The incidence of tax per capita was Rs. 2.53.

(iii) *Kutch*.—In Kutch the system is the same as in Vidarbha area except that the rates of tax are different. The tax is levied at 3 per cent. on all goods liable to tax except goods declared under the Central Sales Tax Act on which the rate of levy is 2 per cent. Further, the turnover limit is Rs. 30,000 per annum for an ordinary dealer and Rs. 5,000 per annum for a processor, manufacturer or importer. The collection of tax from this area during 1956-57 amounted to Rs. 13,71,513. The incidence of tax per capita amounted to Rs. 2.41.

(iv) *Saurashtra*.—In Saurashtra also, the tax system is a single point one. The turnover limit is Rs. 30,000 for an ordinary dealer and Rs. 10,000 for a processor, manufacturer or importer. There is a long list of exemptions which covers mainly goods entering into the consumption of the poorer sections of the community. The tax is levied at the rate of 3 per cent. on non-luxury goods and 7 per cent. on luxury goods with the exception of bullion and specie and ornaments made therefrom which are subjected to tax at the rate of $\frac{1}{2}$ per cent. Goods declared under section 14 of the Central Sales Tax Act are taxed at the rate of 2 per cent. As in the Vidarbha and Kutch areas, sales leading to export of goods outside India or to inter-State trade, are exempt from taxation. Sales of goods made to processors or manufacturers for use in the process of manufacture are also exempt from tax. A transfer of property in goods supplied in the execution of a works contract does not constitute a sale for the purpose of levy of tax. An amount of Rs. 1,34,78,294 was collected in this area during 1956-57. The incidence of tax per head of population was Rs. 3.25.

(v) In the Marathwada districts, the system of levy is what is popularly called multi-point. A general turnover tax at the rate of $1\frac{1}{2}$ per cent. is levied on every dealer having an annual turnover of Rs. 7,500 or more. Besides, there is a tax at the rate of 3 per cent. on the first sale of luxury goods listed under the Act which is levied in addition to the general turnover tax. Further, a few goods are subjected only to a single point levy at rates varying from $\frac{1}{4}$ per cent. to 16 per cent. Goods such as foodgrains, vegetables, meat, fish, salt, milk, agricultural implements, fertilisers, etc., which enter into the consumption of the poorer classes, are exempted from tax. Goods which are declared under section 14 of the Central Sales Tax Act, are taxed at a single point at 2 per cent. A transfer of property in goods supplied in the execution of a works contract constitutes a sale for the purpose of levy of tax. A dealer having an annual turnover of Rs. 7,500 or above who deals in any of the exempted goods has to obtain a licence on payment of a licence fee in order that he may claim exemption from tax. A manufacturer or processor is not exempt from tax on his purchases of goods used in manufacture or processing as is the case in Vidarbha, Kutch and Saurashtra areas; nor can he claim set-off or refund as in the pre-Reorganisation Bombay area. An amount of Rs. 64,49,863 was collected in these districts during the year 1956-57, which gives a per capita incidence of Rs. 1.24.

APPENDIX II.**LIST OF ASSOCIATIONS AND INDIVIDUALS WHO SENT WRITTEN
REPLIES TO THE QUESTIONNAIRE.**

(See paragraph 1·04).

BOMBAY DIVISION.

1. Africa & Overseas Exporters' Chamber, Bombay.
2. A. L. Parikh & Co., Bombay.
3. All India Ammonium Chloride Bar Pressers' Association, Bombay
4. All India Bullion and Jewellery Traders' Federation, Bombay.
5. All India Exporters' Association, Bombay.
6. All India Handloom Board, Bombay.
7. All India Importers' Association, Bombay.
8. All India Manufacturers' Organisation, Bombay.
9. All India Non-ferrous Metalware Manufacturers' Association, Bombay.
10. All India Plastics Manufacturers' Association, Bombay.
11. All India Radio Merchants' Association, Bombay.
12. Americau Trunk Mart & Others, Bombay.
13. Andheri Timber Merchants and Building Material Suppliers' Association, Bombay.
14. Arvind Boards and Paper Products Ltd., Bombay.
15. Ashok & Co., Bombay.
16. Association of Electrical Undertakings, Bombay Province, Bombay.
17. Associaion of Merchants and Manufacturers of Textile Stores and Machinery, India, Bombay.
18. Athale, Vaidya, Pandurang Shastri, Bombay.
19. Ayurved Vaidya Mandal, Amalner.
20. Aziz, M.A., Bombay.
21. Barfiwala Association, Bombay.
22. Bengal Chemical & Pharmaceutical Works, Ltd., Bombay.
23. Bhagwanti Thawardas, Bombay.
24. Bhaidas Cursonadas & Co., Bombay.
25. Bhuleshwar Swadeshi Mart, Bombay.
26. Bidi Tambakhu Vyapari Sangh, Bombay.
27. Billimora-Waghai (Dangs) Forest Contractors Association.
28. Binani Bhawani Das, Bombay.
29. Boghani Maneklal B, Bombay.
30. Bombay Aerated Water Manufacturers Association, Bombay.
31. Bombay Aerated Water Material Importers and Dealers' Association.
32. Bombay Aluminium Merchants' Association, Bombay.
33. Bombay Bakers' Association, Bombay.
34. Bombay Bangles Merchants' Association, Bombay.

35. **Bombay Brass and Iron Works, Bombay.**
36. **Bombay Chamber of Commerce & Industry, Bombay.**
37. **Bombay Coal & Coke Merchants' Association, Ltd., Bombay.**
38. **Bombay Coir Ropes and Yarn Merchants' Association, Bombay.**
39. **Bombay Commission Agents' Association, Bombay.**
40. **Bombay Cotton Merchants & Mukadams Association, Ltd., Bombay.**
41. **Bombay Cutlery, Toys, Glass Beads and Sundry Merchants' Association, Bombay.**
42. **Bombay Denatured Spirit Merchants' Association, Bombay.**
43. **Bombay Diamond Merchants' Association, Bombay.**
44. **Bombay Firewood and Timber Commission Agents' Association, Bombay.**
45. **Bombay Fireworks Manufacturers and Dealers Association, Bombay.**
46. **Bombay Genuine Pearl Dealers' Association, Bombay.**
47. **Bombay Glassware Merchants' Association, Bombay.**
48. **Bombay Gunny Bag Merchant's Association, Bombay.**
49. **Bombay Hessian and Gunny Merchants' Association, Ltd., Bombay.**
50. **Bombay Hotel Owners' Association, Ltd., Bombay.**
51. **Bombay Hosiery Merchants' Association, Bombay.**
52. **Bombay Industries Association, Bombay.**
53. **Bombay Iron Merchants' Association, Bombay.**
54. **Bombay Kariana Brokers' & Commission Agents' Association, Bombay.**
55. **Bombay Kariana Colour & Chemical Merchants' Association, Bombay.**
56. **Bombay Light Merchants' Association, Bombay.**
57. **Bombay Mattresses & Pillows Manufacturers' Association, Bomoay.**
58. **Bombay Mava Merchants' Association, Bombay.**
59. **Bombay Metal Exchange. Ltd., Bombay.**
60. **Bombay Motor Merchants' Association, Ltd., Bombay.**
61. **Bombay Mudibazar Kariyana Merchants' Association, Bombay.**
62. **Bombay Paint Merchants' Association, Ltd., Bombay.**
63. **Bombay Poultry Merchants & Commission Agents' Association, Bombay.**
64. **Bombay Pradesh Congress Committee, Bombay.**
65. **Bombay Press Owners' Association, Bombay.**
66. **Bombay Rajya Vaidya Samelan, Bombay.**
67. **Bombay Regional Council of the Institute of Chartered Accountants of India, Bombay.**
68. **Bombay Ready-Made Clothes Manufacturers' Association, Bombay.**
69. **Bombay Sewing Thread Merchants' & Manufacturers' Association, Bombay.**
70. **Bombay Sand Merchants' Syndicate, Ltd., Bombay.**
71. **Bombay Sanitaryware Association, Bombay.**
72. **Bombay Shroffs' Association, Bombay.**
73. **Bombay State Hotels' Federation, Bombay.**
74. **Bombay State Road Transport Corporation, Bombay.**
75. **Bombay State Text-books Publishers' Association, Bombay.**
76. **Bombay Stationers' Association, Bombay.**
77. **Bombay Swadeshi Market Board, Bombay.**
78. **Bombay Sweetmeat Merchants' Association, Bombay.**
79. **Bombay Tea Merchants' Association, Bombay.**
80. **Bombay Tile Merchants' Association, Bombay.**

81. Bombay Timber Merchants' Association, Ltd., Bombay.
82. Bombay Village Industries Board, Bombay.
83. Bombay Wine Merchants' Association, Bombay.
84. Bombay Yarn Merchants' Association & Exchange Ltd., Bombay.
85. B. R. Herman & Mohatta (India) Private Ltd., Bombay.
86. Brihan Mumbai Mudrak Sangh, Bombay.
87. Builders Association of India, Bombay.
88. 'C' Ward Congress Committee, Bombay.
89. Central Silk Board, Bombay.
90. Chapnivala Kisanrao Govindrao, Bombay.
91. Chawhan & Sons, Bombay.
92. Chemists & Druggists' Association, Bombay.
93. Chimanlal M. Mchta & Co., Bombay.
94. Chitale, M. P., Bombay.
95. Cloth Merchants' Association, Bombay.
96. Cultured Pearls Dealers' Union, Bombay.
97. Dalal, Gangadas Narayandev, Bombay.
98. Dalal, S. G., Bombay.
99. D. B. Taraporewala Sons Co., Private Ltd., Bombay.
100. Desai, M. S., Vengurla.
101. D. K. Sandu Bros., Bombay.
102. Dhoot Papeshwar Industries, Ltd., Bombay.
103. East India Cotton Association, Ltd., Bombay.
104. Electric Merchants' Association, Bombay.
105. Fadnis, S. S., Bombay.
106. Federation of Bhuleshwar Retail Dealers' Association, Bombay.
107. Federation of Bombay Retail Cloth Dealers' Association, Bombay.
108. Federation of Publishers & Book-sellers' Association, Bombay.
109. Federation of Woollen Manufacturers in India, Bombay.
110. Foot-Path Parliament, Bombay.
111. Gandhi, N. S., Bombay.
112. Gandhi, Vasantlal Vadilal & Co., Bombay.
113. Garment Manufacturers' Association of India, Bombay.
114. Ghatkopar Nagrik Mandal, Ghatkopar.
115. Ghee Merchants' Association, Bombay.
116. Gold Filled Leather Works, Bombay.
117. Gold & Silver Jewellery Ornament Merchants Association, Bombay.
118. Gole, N. M., Bombay.
119. Grain & Oil Seeds Merchants' Association, Bombay.
120. Hindustani Merchants & Commission Agents' Association, Bombay.
121. Hooshami Old Iron Merchants Association, Bombay.
122. Hotel & Restaurant Association, Bombay.
123. India Bakers' Association, Bombay.
124. Indian Grain Dealers' Federation, Bombay.
125. Indian Handicraft Merchants' Association, Bombay.
126. Indian Industries Association, Ltd., Bombay.
127. Indian Merchants' Chamber, Bombay.

128. Indian Oil & Produce Exporters' Association, Bombay.
129. Indian Pharmacists' Association, Bombay.
130. Iron, Steel & Hardware Merchants' Chamber of India, Bombay.
131. Indian Tobacco Merchants' Association, Bombay.
132. International Book House Private Ltd., Bombay.
133. Jain Indramal C., Bombay.
134. Jain Surendrakumar G., Bombay.
135. Janta Stores Ambarnath.
136. Jayanand Khira & Co. Private Ltd., Bombay.
137. Jayantilal & Co., Bombay.
138. Jivram Tokersey, Bombay.
139. Joshi, C. P., Bombay.
140. Kalbadevi Opticians' Society, Bombay.
141. Kariana Brokers & Commission Agents' Association, Bombay.
142. Khandhadia, J.D., Bombay.
143. Khan, S. D., Bombay.
144. Khed Vepari Dharmadaya Nidhi Mandal, Khed.
145. Killick Industries, Ltd., Bombay.
146. Lakhamji Hirjee, Panvel.
147. Leather Art Industries, Bombay.
148. Leather Goods Association, Bombay.
149. Licensed Electrical Contractors, Bombay.
150. Lokmanya Chaha Bhandar, Bombay.
151. Madras Confectionery Works, Bombay.
152. Maharashtra Chamber of Commerce, Bombay.
153. Maharashtra Vyapari Sangh, Rajapur.
154. Majithia Rasiklal J., Bombay.
155. Malik Mohamed, Bombay.
156. Manekji Dhanji, Bombay.
157. Mangaldas Market Cloth Merchants' Association, Bombay.
158. Manilal Mulchand, Bombay.
159. Manseta & Bros., Bombay.
160. Masurekar & Co., Bombay.
161. Mehta, Dahyashankar Mahashanker, Bombay.
162. Mehta, K. J., Bombay.
163. Mehta, Pralhad, Bombay.
164. Metal, Merchants' Association, Dhulia.
165. Millowners' Association, Bombay.
166. Mody, Ratilal Manilal, Bombay.
167. Mumbadevi Dagina Bazar Association, Bombay.
168. Mumbai Mishtanna Vyavasai, Sahakari Mandal, Ltd., Bombay.
169. Mumbai Uttar Wibhag, Sore Chandi Vyapari Mandal, Bombay.
170. Municipal Corporation of Greater Bombay.
171. Naik, V. B.
172. Namavati, A. H., Bombay.
173. Nasik Bakers' Association, Nasik.

174. Nasik District Chamber of Commerce, Nasik.
175. Nasik District Chemists' Association, Nasik.
176. Natvarlal & Co., Bombay.
177. Navsari Vyapari Mahamandal, Navsari.
178. Painter, M. H. & others.
179. Panvel Merchants' Association, Panvel.
180. Paper Traders' Association, Bombay.
181. Parikh, K. J., Bombay.
182. Parle Andheri Vyapari Mahamandal, Bombay.
183. Parsram & Co., Bombay.
184. Parulekar, Dada Saheb, Bombay.
185. Patel, Chaturbhai Shankarbai, Nasik.
186. Patwardhan, B. K., and others, Bombay.
187. Perfumery Raw Materials Trade Association, Bombay.
188. Petrol Dealers' Association, Bombay.
189. Pimpalkhare, B. S., Bombay.
190. Pirbhai Visram, Bombay.
191. Play House Retail Cloth and Ready-made Clothes Merchants' Association, Bombay.
192. Popat Kanji Hansraj, Bombay.
193. Precious Stones Importers and Exporters Association, Bombay.
194. Raval Nikkanthrai J., Bombay.
195. Rege, Manohar Pundalik, Bombay.
196. Retail & Dispensing Chemists Association, Bombay.
197. Saher, K. K., Bombay.
198. Sales Tax Practitioners' Association, Bombay.
199. Sales Tax Practitioners' Association, Surat.
200. Sanghavi, C. N., Bombay.
201. Scales, Weights and Measures Merchants' Association, Bombay.
202. Scientific & Surgical Manufacturers & Traders Association, Bombay.
203. Seed Merchants' Association, Nasik.
204. Seth, Dhirajlal Parmanand, Bombay.
205. Shah, Anopchand B., Bombay.
206. Shah, B. S., Bombay.
207. Shah & Co., Bombay.
208. Shah, Chandulal Somalal, Bombay.
209. Shah, Jadavjee M., Bombay.
210. Shah, K. R., Bombay.
211. Shah, Lavanprasad, Bombay.
212. Shah, Maganlal Keshavlal, Bombay.
213. Shah, Ramanlal, J. Bombay.
214. Shamji Kalyanji & Co., Bombay.
215. Sharda Stores, Bombay.
216. Shri Krishna Aushadhalaya, Ratnagiri.

217. Silk & Art Silk Mills' Association, Ltd., Bombay.
218. Silk Merchants' Association, Bombay.
219. Sumani Tyre Service, Bombay.
220. Surat Ayurved Pharmacy Association, Surat.
221. Surat Book Sellers' Association, Surat.
222. Surat Chamber of Commerce, Surat.
223. Surat Chemists & Druggists' Association, Surat.
224. Surat District Retail Dealers' Federation, Surat.
225. Surat Gota Kinari Utpadak Mandal, Surat.
226. Surat Hotel Owners' Association, Surat.
227. Surat Jari Merchants' Association, Surat.
228. Surat Ready-made & Embroidery Goods & Cap Manufacturers Co-operative Society, Ltd., Surat.
229. Taxation Bureau, Bombay.
230. Taxation Review, Bombay.
231. Thakkar Jagjivandas P. & Others, Bombay.
232. T. I. of India Private Ltd., Bombay.
233. Tiwari Hargovind Balabhai, Bombay.
234. Umbrella Traders' Association, Bombay.
235. United Tyres, Bombay.
236. Vaidya & Co., Thana.
237. Vakil, Maneklal H., Bombay.
238. Vanaspati Manufacturers' Association, Bombay.
239. V. K. Tembe & Co., Bombay.
240. Vedpathak, V. S., Alibag.
241. Vyara Anaj Kariana Vepari Mandal, Vyara.
242. Vyas, Keshavlal Mangaldas, Bombay.
243. Watch Trade Federation, Bombay.
244. Zandu Pharmaceutical Works, Ltd., Bombay.
245. Akkalkot Gramodyog Tel Utpadak Sangh, Akkalkot.
246. Ayurvedeeya Arkashala, Ltd., Satara.
247. Badve, B. P., M. L. C.
248. Barsi Teli Samaj Utpadak Sahakari Sangh, Ltd., Barsi.
249. Bhagwandas Jadavji, Chalisgaon.
250. Bharatmata Gramodyog Telghana Sahakari Society, Akkalkot.
251. Bhide, H. B., M.L.C.
252. Brass & Copper Merchants' Association, Ltd., Poona.
253. Brass & Copper Merchants' Association, Sholapur.
254. Chamber of Commerce, Sangli.
255. Chandi Karkhandar Association, Kolhapur.
256. Chemists & Druggists' Association, Sholapur.
257. Dhakas, Y. N., Sholapur.
258. Gaada, T.B., Pandharpur.
259. Gadgil, Prof. D. R., Poona.
260. Gadhinglaj Merchants' Association, Gadhinglaj.
261. Globe Trading, Poona.
262. Gramodyog Sahakari Teli Utpadak Society, Ltd., Akluj.

263. Gundeja Leelachand Bhimraj & Others, Kolhapur.
264. Hadge, J. M., Barsi.
265. Hotel Keepers' Association, Karad.
266. Jalgaon City Congress Committee, Jalgaon.
267. Jerajani Liladhar P., Poona.
268. Karmala Taluka Sahakari Gramodyog Telghana Sangh, Ltd., Karmala.
269. Karmala Teli Samaj Gramodyog Utpadak Sahakari Society, Ltd., Karmala.
270. Khed Vepari Dharmaday Nidhi Mandal, Khed.
271. Kishore Cloth Stores, Shrirampur.
272. Kolhapur Chemists' Association, Kolhapur.
273. Kolhapur District Tanners' Association, Kolhapur.
274. Kore Baburao V., South Satara.
275. Lakhamji Hirjee, Panvel.
276. Madhusagar Apiaries, Mahableshwar.
277. Maharashtra Mudran Parishad, Sangli.
278. Mahratta Chamber of Commerce and Industries, Poona.
279. Mavamithai Vypari Association, Pandharpur.
280. Mohol Gramodyog Telghana Sahakari Society, Ltd., Mohol.
281. Mule, Laxman Pralhad, Pandharpur.
282. Poona Bakery Union, Poona.
283. Poona Book Sellers' Association, Poona.
284. Poona Chemists & Druggists' Association, Poona.
285. Poona City District Congress Committee, Poona.
286. Poona District Merchants' Conference, Poona.
287. Poona District Vyapari Parishad, Poona.
288. Poona Hotel Owners' Association, Poona.
289. Poona Merchants' Chamber, Poona.
290. Poona Press Owners' Association, Poona.
291. Poona Sports Dealers' Association, Poona.
292. Poona Steam Coal and Coke Merchants' Association, Poona.
293. Sangamner Merchants' Association, Sangamner.
294. Sangli Saraff Association, Sangli.
295. Saraf Association, Barsi.
296. Shakir N. F., Sinnar.
297. Sharaff Association, Islampur.
298. Sholapur District Sales Tax Vyapari Sangh, Sholapur.
299. Sholapur District Vidhayak Samiti, Sholapur.
300. Sholapur Gramodyog Telghana Sahakari Society, Ltd., Sholapur.
301. Sholapur Ready-made Clothes Merchants' Association, Sholapur.
302. Sholapur Saraf Association, Sholapur.
303. Shrirampur Merchants' Association, Ltd., Shrirampur.
304. Tilak Sanshodhan Mandir, Poona.
305. Tilak Sports, Poona.
306. Umbrani A. G., Satara.
307. Vagh V. G., Nevasa.

AURANGABAD DIVISION.

308. Bharat Bhushan Aushadhalaya, Ganj.
309. Grain Seeds and Oil Merchants' Chamber Ltd., Latur.
310. Gramodyog Teli Ghani Sahakari Society, Latur.
311. Kirana and General Merchants' Association, Aurangabad.
312. Kirana Merchants' Association, Aurangabad.
313. Shri Koli Tel Ghana Sahakari Sangh, Ltd., Jalna.
314. Koli Tel Ghana Sahakari Sangh, Ltd., Parli-Vaijanath.
315. Krishna Strces, Aurangabad.
316. Kulkarni Nerhar Vasudeo, Bhid.
317. Marathwada Chamber of Commerce and Industry, Jalna.
318. Marathwada Press Owners' Association, Aurangabad.
319. Nanded Cotton Grains and Seeds Merchants' Association, Ltd., Nanded.
320. Ramsingh Medical Hall, Parbhani.
321. Rana Sahebram Mannulal, Aurangabad.
322. Saraf Association, Parli-Vaijanath.
323. Sheth, Devchand Chatrabhuj, Jalna.
324. Taxation Practitioners' Association, Aurangabad.
325. Teli Sahakari Sangh, Ltd., Partud.
326. Teli Sahakari Sangh, Manwat.
327. Vaidya Mandal (Marathwada), Aurangabad.

NAGPUR DIVISION.

328. Agents and Distributors' Private Ltd., Nagpur.
329. Akola Adatya Association, Akola.
330. Akola Cloth Merchants' Association, Akola.
331. Akola Tahsil Co-operative Agricultural Purchase and Sale Society, Ltd., Akola.
332. Amraoti Cotton Merchants' Association, Amraoti.
333. Bhai Shantilal Churnilal, Nagpur.
334. C. P. and Berar Leather and Leathergoods Merchants' and Shoe-makers Association, Nagpur.
335. Divanji Nilkanth Laxman, Temudi.
336. Grain Merchants' Association, Akola.
337. Jajodia Kunjbiharilal, Wardha.
338. Karani Vallabhji Hirji, Digras.
339. Khamgaon Cotton Dealers' Association, Khamgaon.
340. Lac Chapra Vyapar Wardhini Sabha, Gondia.
341. Madhya Pradesh Charnia Vyarasi Sangathan, Nagpur.
342. Mahavidarbha Chamber of Commerce and Industries, Ltd., Nagpur.
343. Mandal Congress Committee, Tiroda.
344. Meghraj Bansidhar and others, Khamgaon.
345. Mineral Industries Association, Nagpur.
346. Nagpur General Merchants' Association, Nagpur.
347. Nagpur Hotel Owners' Association, Nagpur.
348. Nagpur Vaidya Mandal, Nagpur.
349. Nag-Vidarbha Chamber of Commerce, Nagpur.

350. Rajaram Sitaram Dixit Vachanalaya, Nagpur.
351. Readymade Cloth Merchants' Association, Nagpur.
352. Sales Tax Bar Association, Nagpur.
353. Shah Vallabhdas, Chanda.
354. Shivraj Fine Arts Litho Works, Nagpur.
355. Shriram Durgaparsad, Tumsar.
356. Sukhlikar W. D., Nagpur.
357. Textile Mills' Association, Nagpur.
358. Tivari Deendayal, Nagpur.
359. Vidarbha Booksellers' and Publishers' Association, Nagpur.
360. Vidarbha Chamber of Commerce, Akola.
361. Vidarbha Pradesh Congress Committee, Akola.
362. Vidarbha Pan Vyapari Association, Nagpur.
363. Wholesale Grain and Seeds Merchants Association, Nagpur.
364. Yeotmal Medicine Dealers' Association, Yeotmal.

AHMEDABAD DIVISION.

365. Ahmedabad Chemical Merchants' Association, Ahmedabad.
366. Ahmedabad Chemists' Mandal, Ahmedabad.
367. Ahmedabad City District Congress Committee, Ahmedabad.
368. Ahmedabad Coal Merchants' Association, Ahmedabad.
369. Ahmedabad Cutlery and Stationery Merchants Association, Ahmedabad.
370. Ahmedabad Hotel Owners' Association, Ahmedabad.
371. Ahmedabad Iron, Hardware and Paint Merchants Federation, Ahmedabad.
372. Ahmedabad Metal Merchants' Association, Ahmedabad.
373. Ahmedabad Mill Owners' Association, Ahmedabad.
374. Ahmedabad Mithai Farsan Vepari Mandal, Ahmedabad.
375. Ahmedabad Paper Merchants' Association, Ahmedabad.
376. Ahmedabad Pan Bidi Merchants' Association, Ahmedabad.
377. Ahmedabad Printing Press Association, Ahmedabad.
378. Ahmedabad Publishers and Booksellers Association, Ahmedabad.
379. Ahmedabad Radio Merchants' Association, Ahmedabad.
380. Ahmedabad Retail Cloth and Hosiery Merchants' Association, Ahmedabad.
381. Akhil Bharat Charma Graha Udyog Sangh, Ltd., Baroda.
382. Akik Udyog Vikas Sahakari Mandali, Ltd., Cambay.
383. Ankleshwar Timber Merchants' Association, Ankleshwar.
384. Babulal Chhotalal, Ahmedabad.
385. Bakery Association, Ahmedabad.
386. Baroda Chemists' and Druggists' Association, Baroda.
387. Baroda City Readymade Cloth Merchants' Association, Baroda.
388. Baroda Grain Merchants' Association, Baroda.
389. Bombay State, Kutch, Saurashtra Mochi Parishad, Baroda.
390. Chartered Accountants' Association, Ahmedabad.
391. Dabhoi District Cotton Merchants and Factory Owners' Association, Dabhoi.
392. Dabhoi Kaparia Vepari Mandal, Dabhoi.
393. Dohad Co-operative Purchase and Sale Union, Ltd., Dohad.

AHMEDABAD DIVISION—*contd.*

394. Federation of Gujarat Mills and Industries, Baroda.
395. Federation of Small Scale Cottage Industries, Baroda.
396. Gujarat Vepari Mahamandal, Ahmedabad.
397. Gunj Bazar Grain and Seeds Merchants' Association, Patan.
398. Himatlal Dahyabhai Katol.
399. Isabgol Manufacturers' Association, Sidhpur.
400. Jayantilal Lalbhai, Ahmedabad.
401. Kadi City Congress Samiti, Kadi.
402. Kaira District Tobacco Merchants Association.
403. Karjan Samagra Vepari Mandal, Karjan.
404. Khadi and Village Industries Commission, Village Oil Industry, Baroda.
405. Khambhat Shahar Dakshin Uttar Vibhag Mandal Congress Samiti, Cambay.
406. Khambhat Vepari Mahamandal, Cambay.
407. Kheda District Kshatriya Mochi Mandal, Anand.
408. Mahagujarat Vaidya Mandal, Ahmedabad.
409. Maize Products, Ahmedabad.
410. Maniar Lalchand Keshwalal, Viramgam.
411. Marathe Joglekar and Co., Baroda.
412. Mashruwala Ramanlal, Ahmedabad.
413. Maskati Cloth Market Association, Ahmedabad.
414. Mehsana District Congress Samiti, Mehsana.
415. Mehta Dahyalal M., M.L.A.
416. Mehta Vadilal Lalubhai, Ahmedabad.
417. Mehta Vithaldas Pannalal, Zhalod.
418. Nabibhai Usmanbhai, Sabarkantha.
419. Nadiad Saloon Bazar Kariana Merchants and Commission Agents' Association and Ahmedabad Bazaar Kariana Merchants' Association, Nadiad.
420. Panchmahal Timber Merchants' Association, Piplod.
421. Patel Automobiles, Baroda.
422. Patel Chaturbhai Mohanlal, Mehsana.
423. Patel Purushottam Vithalbhai, Ahmedabad.
424. Patel Papatlal G., M.L.A.
425. Patel Somabhai Tribhuvandas, Ahmedabad.
426. Punamchand Ambalal, Modasa.
427. Ratan Pole and Richey Road Gold Silver and Jewellery Ornaments Merchants' Association, Ahmedabad.
428. Sales Tax Practitioners' Association, Ahmedabad.
429. Shah Amritlal Jeevanlal, Petlad.
430. Shah Chiranjilal Ramchand, Mehsana.
431. Shah Devnand Jethabhai, Ahmedabad.
432. Shah Jugal B., Moha Road.
433. Shah Kantilal Bhailal, Magaun Karjan.
434. Shah K. C., Modasa.
435. Shah Madhavlal B., M.L.A.
436. Shah, Manilal Vadilal, Baroda.
437. Shah Papatlal L., Palanpur.

AHMEDABAD DIVISION—*contd.*

- 438. Shah Raseklal T., Bhadvan.
- 439. Shah Champaklal Balchand, Cambay.
- 440. Shelat H. M., Ahmedabad.
- 441. Sheth & Co., Ahmedabad.
- 442. Thakkar Ambaram Khengarbhai, Harij.
- 443. Umreth Vyapari Mahamandal, Umreth.
- 444. Shri Unjha Vepari Mandal, Unjha.
- 445. Visnagar Metal Merchants' Association, Visnagar.
- 446. Vora Adambhai Ismailbhai, Sojitra.

RAJKOT DIVISIONS.

- 447. Akhil Saurashtra Kariana Vepari Mandal, Rajkot.
- 448. Anjar Merchants' Association, Anjar.
- 449. Auto-Electric Hardware and Machinery Merchants' Association Bhuj.
- 450. Automobile and Petrol Dealers' Association, Porbandar.
- 451. Bhavnagar Kathi Dorda Merchants' Association, Bhavnagar.
- 452. Bhuj Chamber of Commerce, Bhuj.
- 453. Bhuj Cutlery and Stationery Merchants' Association, Bhuj.
- 454. Dhootpapershwar Dawakhana, Surendranagar.
- 455. Dhrangandhra Miscellaneous Traders, Dhrangandhra.
- 456. Dora Hath Bharatkam Kapad Vepari Mandal, Bhavnagar.
- 457. Doshi, Jayantilal Dhanjibhai, Surendranagar.
- 458. Gandhi Smriti, Bhavnagar.
- 459. Gohilwad District Congress Committee, Bhavnagar.
- 460. Hotel Malik Mandal, Surendranagar.
- 461. Junagadh Chamber of Commerce, Junagadh.
- 462. Junagadh Cloth Merchants' Association, Junagadh.
- 463. Kanti Oil Mills, Jamjodhpur.
- 464. Kathamma Vithalji Karsandas, Rajkot.
- 465. Mandvi Merchants' Association, Mandvi.
- 466. Mandvi Hathvanat Mashroo Mandal, Mandvi.
- 467. Maniar Gambhir Tribhovandas, Bhavnagar.
- 468. Modi J. K., M. P.
- 469. Morvi Chamber of Commerce, Morvi.
- 470. Nandani Stores, Rajkot.
- 471. Navanagar Chamber of Commerce, Jamnagar.
- 472. Odedra Maldevji, M.L.A.
- 473. Parekh Thakershi Vithaldas, Rajkot.
- 474. Parshuram Pottery Works, Ltd., Morvi.
- 475. Porbandar Chamber of Commerce, Porbandar.
- 476. Porbandar Merchants, Porbandar.
- 477. Porbandar Sweetmeat and Farsan Vypari Mandal, Porbandar.
- 478. Praja Socialist Party of Saurashtra, Rajkot.
- 479. Rajkot Chamber of Commerce, Rajkot.

RAJKOT DIVISION—*contd.*

480. Rajkot Hotel Association, Rajkot.
481. Rajkot Kirana Merchants Association, Rajkot.
482. Rajkot Machinery Dealers' Association, Rajkot.
483. Rajkot Sweetmeat Merchants' Association, Rajkot.
484. Rathod Popatlal Parshotam, Jotpur.
485. Sapani Dalpat Bahyabhai, Jamnagar.
486. Saurashtra Bookellers and Publishers' Association, Rajkot.
487. Saurashtra Chamber of Commerce, Bhavnagar.
488. Saurashtra Chemists' & Druggists' Association, Rajkot.
489. Saurashtra Communist Party, Rajkot.
490. Saurashtra Dhandhadari Sukhadia Association, Bhavnagar.
491. Saurashtra Kutch Mechanised Farmers' Association, Rajkot.
492. Saurashtra Oil & Oil Seeds Association, Ltd., Rajkot.
493. Saurashtra Oil Mills Association, Jamnagar.
494. Saurashtra Sweet Merchants' Association, Rajkot.
495. Saurashtra "Varat-Varata" (Agricultural Implements) **Manufacturers'** Association, Rajkot.
496. Savarkundla Congress Samiti, Savarkundla.
497. Scale Manufacturers' Association, Savarkundla.
498. Shah Jagjivan Fulchand, Bhavnagar.
499. Shah Kantilal P., M.L.A.
500. Shah Ladakhchand Jivraj, Wadhwan.
501. Shah Madhavji Kalidas, Mangrol.
502. Shah P. P., Rajkot.
503. Sihor Brass & Copper Merchants' Association, Sihor.
504. Sorath Backward Class Sewa Samaj, Junagadh.
505. Sorath Chamber of Commerce, Veraval.
506. Surendranagar Hotel Association, Surendranagar.
507. Surendranagar Watch Merchants' Association, Surendranagar.
508. Thakkar Ratanshi Dwarkadas, Mandvi.
509. Vora Vrajlal G., M.L.A.

OUTSIDE THE STATE.

510. Indian Chamber of Commerce, Calcutta.
511. Madli L. N., Belgaum.

APPENDIX III.

(See paragraph 1'04).

LIST OF ASSOCIATIONS AND INDIVIDUALS WHO WERE INTERVIEWED.**BOMBAY.**

1. Africa & Overseas Exporters' Chamber, Bombay.
2. Akhil Bharat Charma Graha Udyog Sangh, Baroda.
3. All India Bullion & Jewellery Traders' Federation, Bombay.
4. All India Exporters' Association, Bombay.
5. All India Importers' Association, Bombay.
6. All India Manufacturers' Organisation, Bombay.
7. All India Non-ferrous Metalware Manufacturers' Association, Bombay.
8. All India Plastics Manufacturers' Association, Bombay.
9. All India Radio Merchants' Association, Bombay.
10. Andheri Timber Merchants' & Building Materials Suppliers' Association, Bombay.
11. Association of Electrical Undertakings, Bombay.
12. Bhide H. R., M.L.C.
13. Binani Bhavani Das.
14. Bombay Aerated Water Manufacturers' Association, Bombay.
15. Bombay Aerated Water Material Importers & Dealers' Association, Bombay.
16. Bombay Aluminium Merchants' Association, Bombay.
17. Bombay Chamber of Commerce & Industry, Bombay.
18. Bombay Coal & Coke Merchants' Association, Ltd., Bombay.
19. Bombay Coir Ropes & Yarn Merchants' Association, Bombay.
20. Bombay Commission Agents' Association, Bombay.
21. Bombay Cotton Merchants & Mucadams Association, Bombay.
22. Bombay Cutlery, Toys, Glass Beads & Sundry Merchants' Association, Bombay.
23. Bombay Denatured Spirit Merchants' Association, Bombay.
24. Bombay Diamond Merchants' Association, Bombay.
25. Bombay Firewood & Timber Commission Agents' Association, Bombay.
26. Bombay Fireworks Manufacturers & Dealers Association, Bombay.
27. Bombay Glassware Merchants' Association, Bombay.
28. Bombay Hessian & Gunny Merchants' Association, Bombay.
29. Bombay Kariana Colour & Chemical Merchants' Association, Bombay.
30. Bombay Light Merchants' Association, Bombay.
31. Bombay Mattresses & Pillows Manufactuerers' Association, Bombay.
32. Bombay Mudi Bazar Kariana Merchan's Association, Bombay.
33. Bombay Paints Merchants' Association, Ltd. Bombay.
34. Bombay Poultry Merchants & Commission Agents' Association, Bombay.
35. Bombay Pradesh Congress Committee, Bombay.
36. Bombay Press Owners' Association, Bombay.
37. Bombay Rajya Vaidya Sammelan, Bombay.
38. Bombay Regional Council of the Institute of Chartered Accountants of India, Bombay.

39. Bombay Shroffs' Association, Bombay.
40. Bombay State Federation of Sweets and Farsan Dealers' Association, Surat.
41. Bombay State Hotels' Federation, Bombay.
42. Bombay State Text Books Publishers' Association, Bombay.
43. Bombay Stationers' Association, Bombay.
44. Bombay Swadeshi Market Board, Bombay.
45. Bombay Sweetmeat Merchants' Association, Bombay.
46. Bombay Tea Merchants' Association, Bombay.
47. Bombay Tile Merchants' Association, Bombay.
48. Bombay Timber Merchants' Association, Ltd., Bombay.
49. Bombay Wine Merchants' Association, Bombay.
50. Bombay Yarn Merchants' Association & Exchange, Ltd., Bombay.
51. 'C' Ward Congress Committee, Bombay.
52. Chemists & Druggists' Association, Bombay.
53. Chimanlal M. Mehta & Company, Bombay.
54. Chitambar M. P., Bombay.
55. Cultured Pearls Dealers' Union, Bombay.
56. Desai Tannathas D., Bombay.
57. Electric Merchants' Association, Bombay.
58. Federation of Bhuleshwar Retail Dealers' Association, Bombay.
59. Federation of Bombay Retail Cloth Dealers' Association, Bombay.
60. Federation of Publishers & Booksellers' Association, Bombay.
61. Foot Path Parliament, Bombay.
62. Ghatkopar Nagrik Mandal, Bombay.
63. Ghee Merchants' Association, Bombay.
64. Gidwani V. L., I.C.S., Bombay.
65. Gold & Silver & Jewellery Ornaments Merchants' Association, Bombay.
66. Grain & Oil Seeds Merchants' Association, Bombay.
67. Hindustani Merchants & Commission Agents Association, Ltd., Bombay.
68. Hotel & Restaurant Association of Bombay Region, Bombay.
69. India Bakers' Association, Ltd., Bombay.
70. Indian Grain Dealers' Federation, Bombay.
71. Indian Handicrafts Merchants' Association, Bombay.
72. Indian Merchants' Chamber, Bombay.
73. Indian Oil & Produce Exporters' Association, Bombay.
74. Indian Pharmacists' Association, Bombay.
75. Iron & Steel Hardware Merchants' Chamber of India, Bombay.
76. Kariana Brokers & Commission Agents' Association, Bombay.
77. Khamgaon Cotton Dealers' Association, Ltd., Khamgaon.
78. Lakadawala Prof. B. T., Bombay.
79. Maharashtra Chamber of Commerce, Bombay.
80. Mangaldas Market Merchants' Association, Bombay.
81. Mehta Sanat P., Bombay.
82. Millowners' Association, Bombay.
83. Mone N. T., I.C.S., Secretary to the Government of Bombay, Finance Department, Bombay.

84. Mumbai Mishtanna Vyavasai Sahakari Mandal, Ltd., Bombay.
85. Mumbai Uttar Vibhag Sonchandi Vyapari Mandal, Bombay.
86. Panvel Merchants' Association, Panvel.
87. Paper Traders' Association, Bombay.
88. Parle-Andheri Vyapari Mahamandal, Bombay.
89. Parulekar Dadasaheb, Bombay.
90. Perfumery Raw Materials Trade Association, Bombay.
91. Petrol Dealers' Association, Bombay.
92. Precious Stones Importers & Exporters Association, Bombay.
93. Retail & Dispensing Chemists' Association, Bombay.
94. Sabnis M. G., Additional Collector of Sales Tax, Bombay.
95. Sales Tax Practitioners' Association, Bombay.
96. Scales Weights & Measures Merchants' Association, Bombay.
97. Shah K. K. Bombay.
98. Pandit Shivasharma, Bombay.
99. Silk & Artsilk Mills' Association, Ltd., Bombay.
100. Surat Ayurvedic Pharmacy Association, Surat.
101. Surat Chamber of Commerce, Surat.
102. Surat Chemists & Druggists' Association, Surat.
103. Surat District Retail Dealers' Federation, Surat.
104. Surat Gota Kinari Utpadak Mandal, Surat.
105. Surat Jari Merchants Association, Surat.
106. Textile Mills Association, Nagpur.
107. United Tyres, Bombay.
108. Vanaspati Manufacturers' Association of India, Bombay.
109. Vora Vrajilal G., M.L.A.
110. Warti Prof., S. G., M.L.A.

POONA.

111. Brass & Copper Merchants' Association, Ltd., Poona.
112. Brass & Copper Merchants' Association, Sholapur.
113. Chamber of Commerce, Sangli.
114. Gramodyog Sahakari Tel Utpadak Society, Ltd., Akole.
115. Hotel Keepers' Association, Karad.
116. Jadhav Tulsidas.
117. Joshi S.M., M.L.A.
118. Mahratta Chamber of Commerce & Industries, Poona.
119. Metal Merchants' Association, Dhulia.
120. Ogale S.L., M.L.C.
121. Poona Bakery Union, Poona.
122. Poona Booksellers' Association, Poona.
123. Poona Chemists & Druggists' Association, Poona.
124. Poona City District Congress Committee, Poona.
125. Poona District Merchants' Conference, Poona.
126. Poona Hotel Owners' Association, Poona.
127. Poona Merchants' Chamber, Poona.

AURANGABAD.

128. Poona Press Owners' Association, Poona.
129. Poona Steam Coal & Coke Merchants' Association, Poona.
130. Sholapur Saraf Association, Sholapur.
131. Sangli Saraf Association Sangli.
132. Seed Merchants' Association, Nank.
133. Sholapur Gramodyog Telghana Sahakari Society. Ltd., Sholapur.
134. Sholapur Ready-made Clothes Merchants' Association, Sholapur.
135. Sangamner Merchants' Association, Sangamner.
136. Shrirampur Merchants' Association, Ltd., Shrirampur.
137. Tilak Sanshodhan Mandir, Poona.
138. Bhalerao Anant, Editor, the "Marathwada", Aurangabad.
139. Grain Seeds & Oil Merchants, Chamber Ltd., Latur.
140. Gramodyog Teli Ghana Sahakari Society, Latur.
141. Hotel Owners' Association, Aurangabad.
142. Kirana Merchants' Association, Aurangabad.
143. Kolu Tel Ghana Sahakari Sangh, Ltd., Jalna.
144. Mahajan, Prof., Aurangabad.
145. Marathwada Chamber of Commerce & Industry, Jalna.
146. Patil, Kalyanrao.
147. Taxation Practitioners' Association, Aurangabad.
148. Thatte, G. N., Aurangabad.

NAGPUR.

149. Agarwal Madan Gopal, M.L.A.
150. Agents & Distributors Private Ltd., Nagpur.
151. Akola Adatiya Association, Akola.
152. Akola Tahsil Co-operative Agricultural Purchase & Sale Society, Ltd., Akola.
153. Amravati Cotton Merchants' Association, Amravati.
154. Jajodia Kunjbharilal, Wardha.
155. Madhya Pradesh Charma Vyavasai Sangathan, Nagpur.
156. Mahavidarbha Chamber of Commerce & Industries, Ltd., Nagpur.
157. Nagpur General Merchants' Association, Nagpur.
158. Nagpur Hotel Owners' Association, Nagpur.
159. Nagpur Pradesh Congress Committee, Nagpur.
160. Nag-Vidarbha Chamber of Commerce, Nagpur.
161. Naik Babasaheb, Nagpur.
162. Patil Baburao, Digras.
163. Ready-made Cloth Merchants' Association, Nagpur.
164. Sales Tax Bar Association, Nagpur.
165. Vidarbha Booksellers & Publishers' Association, Nagpur.
166. Vidarbha Chamber of Commerce, Akola.
167. Vidarbha Pan Vyapari Association, Nagpur.
168. Wholesale Grain and Seeds Merchants' Association, Nagpur.
169. Yeotmal Medicine Dealers' Association, Yeotmal.

AHMEDABAD.

170. Ahmedabad Chemists' Mandal, Ahmedabad.
171. Ahmedabad Chemical Merchants' Association, Ahmedabad.
172. Ahmedabad City District Congress Committee, Ahmedabad.
173. Ahmedabad Cutlery and Stationery Merchants' Association, Ahmedabad.
174. Ahmedabad Hotel Owners' Association, Ahmedabad.
175. Ahmedabad Iron, Hardware & Paint Merchants Federation, Ahmedabad.
176. Ahmedabad Metal Merchants' Association, Ahmedabad.
177. Ahmedabad Mill Owners' Association, Ahmedabad.
178. Ahmedabad Mithai Farsan Vyapari Mandal, Ahmedabad.
179. Ahmedabad Pan Bidi Merchants' Association, Ahmedabad.
180. Ahmedabad Paper Merchants' Association, Ahmedabad.
181. Ahmedabad Printing Press Association, Ahmedabad.
182. Ahmedabad Publishers & Booksellers' Association, Ahmedabad.
183. Ahmedabad Retail Cloth & Hosiery Merchants' Association, Ahmedabad.
184. Akik Udyog Vikas Sahakari Mandali, Ltd., Cambay.
185. Anaj Kariana Merchants' Association, Borsad.
186. Bakery Association, Ahmedabad.
187. Baroda Chemists' & Druggists' Association, Baroda.
188. Baroda City Ready-made Clothes Merchants' Association, Baroda.
189. Chartered Accountants' Association, Ahmedabad.
190. Desai, Maganbhai P., Vice-Chancellor of Gujarat University, Ahmedabad.
191. Federation of Gujarat Mills & Industries, Baroda.
192. Federation of Small Scale & Cottage Industries, Baroda.
193. Gujarat Vepari Mahamandal, Ahmedabad.
194. Kadi City Congress Committee, Kadi.
195. Kaira District Tobacco Merchants' Association, Nadiad.
196. Khambhat Shahar Dakshin-Uttar Vibhag Mandal Congress Samiti, Cambay.
197. Maskati Cloth Market Association, Ahmedabad.
198. Mehsana District Congress Samiti, Mehsana.
199. Nadiad Saloon Bazaar Kariana Merchants' and Commission Agents' Association and Ahmedabadi Bazaar Kariana Merchants' Association, Nadiad.
200. Sales Tax Practitioners' Association, Ahmedabad.
201. Trivedi, Vijaykumar, Mehsana.
202. Umreth Vyapari Mandal, Umreth.

RAJKOT.

203. Anjar Merchants' Association, Anjar.
204. Bhuj Chamber of Commerce, Bhuj.
205. Bhuj Cutlery & Stationery Merchants' Association, Bhuj.
206. Junagadh Chamber of Commerce, Junagadh.
207. Junagadh Cloth Merchants' Association, Junagadh.
208. Kansara Association, Rajkot.
209. Manufacturers of Varatadi etc. (Agricultural implements), Rajkot.
210. Mechanised Farmers' Association, Rajkot.
211. Mehta, Jaswantra N., M.L.A.
212. Morvi Chamber of Commerce, Morvi.

213. Nawanagar Chamber of Commerce, Jamnagar.
214. Parekh Jamnadas, Rajkot.
215. Patel Ramnik, Bhavnagar.
216. Porbandar Chamber of Commerce, Porbandar.
217. Porbandar Sweet-meat Farsan Vepari Mandal, Porbandar.
218. Rajkot Chamber of Commerce, Rajkot.
219. Rajkot Kariana Merchants Association, Rajkot.
220. Rajkot Sweetmeat Merchants' Association, Rajkot.
221. Saurashtra Chamber of Commerce, Bhavnagar.
222. Saurashtra Chemists' & Druggists' Association, Rajkot.
223. Saurashtra Dhandadari Suchadia Association, Bhavnagar.
224. Saurashtra Hotel Owners' Association, Rajkot.
225. Saurashtra Oil & Oilseeds Association, Ltd., Rajkot.
226. Saurashtra Oil Mills Association, Jamnagar.
227. Saurashtra Booksellers' and Publishers' Association, Rajkot.
228. Saurashtra Sweet Merchants' Association, Bhavnagar.
229. Shah Pratap, Rajkot.
230. Shukla Vajubhai, Porbandar.
231. Sihor Brass & Copper Merchants' Association, Sihor.
232. Sorath Backward Class Seva Samaj, Junagadh.
233. Sorath Chamber of Commerce, Veraval.
234. Thakkar Manubhai, Rajkot.



सत्यमेव जयते

APPENDIX IV.

(See paragraph 1-06).

MEETINGS OF THE SALES TAX ENQUIRY COMMITTEE.

Serial number of the session. 1	Place. 2	Dates of meetings. 3
First session	... Bombay	... 4-12-1957
Second session	... Bombay	... 16-12-1957 to 20-12-1957
Third session	... Bombay	... 19-2-1958
Fourth session	... Bombay	... 15-3-1958
Fifth session	... Poona	... 28-3-1958 to 30-3-1958
Sixth session	... Aurangabad	... 31-3-1958 to 1-4-1958
Seventh session	... Rajkot	... 11-4-1958 to 12-4-1958
Eighth session	... Ahmedabad	... 13-4-1958 to 15-4-1958
Ninth session	... Bombay	... 21-4-1958 to 23-4-1958
Tenth session	... Nagpur	... 24-4-1958 to 25-4-1958
Eleventh session	... Bombay	... 28-4-1958 to 3-5-1958 and 5-5-1958 and 6-5-1958
Twelfth session	... Mahableshwar	... 22-5-1958 to 28-5-1958 and 30-5-1958
Thirteenth session	... Bombay	... 30-6-1958 to 9-7-1958
Fourteenth session	... Bombay	... 14-7-1958 to 18-7-1958
Fifteenth session	... Bombay	... 24-7-1958
Sixteenth session	... Bombay	... 18-8-1958 to 22-8-1958
Seventeenth session	... Bombay	... 25-8-1958 and 26-8-1958
Eighteenth Session	... Bombay	... 31-8-1958

APPENDIX V.

(See paragraph 1·07).

COPY OF CONFIDENTIAL LETTER, No. STA/1058/G-1(SPL.)/1046
 DATED 30TH JULY 1958 FROM THE SECRETARY, SALES TAX
 ENQUIRY COMMITTEE, BOMBAY, TO THE SECRETARY,
 TO THE GOVERNMENT OF BOMBAY, FINANCE
 DEPARTMENT, SACHIVALAYA, BOMBAY.

"I have the honour to refer to Government Resolution, Finance Department, No. STA/1057/G-1 dated 3rd December 1957 under which a Committee has been constituted to make recommendations to Government on the unification of the several Sales Tax Laws in force in the different areas of the reorganised Bombay State. Among other matters the Committee has decided to make certain recommendations in regard to the taxation of sales of various goods purchased by the cotton textile industry for use in the manufacture of goods for sale. The Committee feels that it will be helpful in the formulation of the policy of Government in respect of the cotton textile industry which is now passing through a difficult phase, if the objectives which those recommendations seek to serve are communicated to Government at this stage in advance of the report of the Committee. I am accordingly desired by the Chairman of the Committee to bring to the notice of Government the following principles which form the basis of the Committee's recommendations in this particular matter :—

(1) The Committee does not favour a system of tax-free purchases or of set-off of Sales Tax paid against purchases in respect of any of the goods required by the cotton textile industry as raw material, processing material, fuel, lubricant, machinery, expendable stores and packing material;

(2) The Committee feels that whatever relief is to be given to the industry should be by way of fixing such a low rate of tax on the sale to the industry of the above commodities that it can be absorbed in the price of the finished goods without unduly affecting the competitive position of the industry in the market inside the State or in inter-State or export trade.

The Committee accordingly recommends that the following rates of Sales Tax may, in this connection, be fixed :—

- | | | | |
|---|-----|-----|-------------|
| (a) Cotton—ginned or unginned | ... | ... | 1 per cent. |
| (b) Coal, coke, furnace oil, lubricants and other petroleum products, expendable mill stores, dyes, chemicals, other processing materials, and such items of machinery, plant and accessories and spare parts thereof, as Government may, by notification, prescribe in this behalf | ... | ... | 2 per cent. |

The Committee recommends further :

(a) that the tax be levied at the last stage of sale in respect of all the above goods except coal and coke which, the Committee suggests, may be taxed at the first stage of sale;

(b) when the rate of tax leviable in respect of the sale of any of the above items (other than cotton) is higher than 2 per cent., the cotton textile mills should be required to furnish the prescribed certificate against the sale to the mills of every such item at this concessional rate of 2 per cent., and

(c) when cotton or any other item of the goods mentioned above is purchased by a textile mill from a person other than a registered dealer, purchase tax should be payable thereon at the same rate as would have been payable had the purchase been made from a registered dealer."

(G.C.P.) L-A H 2487—10a

APPENDIX VI.

(See paragraph 1'08).

SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS.**CHAPTER I.****Introductory.**

1. There should be no tax-free purchases or set-off of tax paid on purchases of any of the goods required by the cotton textile industry as raw material, processing material, fuel, lubricant, machinery, expendable stores and packing materials. The relief to be given to the cotton textile industry should be by way of fixing a low rate of tax on the sales to the industry of these goods which can be absorbed in the price of the finished goods without unduly affecting the competitive position of the industry. The following rates should be fixed in this connection :--

(a) Cotton—ginned or unginned 1 per cent.

(b) Coal, coke, furnace oil, lubricants and other petroleum products, expendable mill stores, dyes, chemicals, other processing materials, and such items of machinery, plant and accessories and spare parts thereof as Government may, by notification, prescribe in this behalf 2 per cent.

When the rate of tax generally leviable in respect of the sale of any of the above items is higher than 2 per cent., the cotton textile mills should be required to furnish the prescribed certificate against the sale to the mills of every such item at the concessional rate of 2 per cent. Purchase tax at appropriate rates should be leviable on purchases of taxable goods made by cotton textile mills. (Paragraph 1'07 and Appendix V).

CHAPTER III.**Basis and Structure of Sales Tax.**

2. Whenever there is a specific proposal from the Government of India for levying an additional excise duty in lieu of sales tax, the Government of Bombay should examine such proposal dispassionately. Account should be taken not merely of the reaction of such a proposal on the revenues of the State; the advantages accruing in the shape of increased facilities to trade and industry and to the country's economy as a whole should also be taken into consideration. If on such consideration the levy of additional excise duty on certain items of goods is found to be desirable, the Government of Bombay should agree to it. (Paragraph 3'08).

3. A composite system of Sales Tax should be introduced with levy on 89 articles or classes of goods at a single stage—69 being taxed at the first stage and 20 at the last stage of sale—and the rest of the articles or classes of goods which are not exempted from tax will be subjected to a 'Sales Tax' levied on the first stage of sale, a 'General Sales Tax' levied at the second stage of sale and a 'Retailers' Turnover Tax' levied on the total turnover of sales of goods of these classes purchased by retail dealers from manufacturers, importers and wholesale and semi-wholesale dealers. The last stage or the second stage of sale referred to above will be taken to mean the last sale by a licenced dealer to any other dealer or consumer. Goods required by manufacturers as raw or processing or packing materials other than those taxed at a rate not exceeding 2 per cent., should be purchaseable free of all taxes against a 'recognition' certificate. (Paragraph 3'09).

4. The rate of single-point tax levied at the first stage of sale alone will vary from 2 per cent. to 10 per cent., in respect of certain classes of spirituous medicinal preparations the rate will be 25 per cent. The rate of tax levied at the last stage of sale alone will vary from $\frac{1}{2}$ per cent. to 10 per cent. The rates of 'Sales Tax' levied on goods which will be subjected to tax at more than one point will vary from 3 per cent. to 8 per cent., the rate of 'General Sales Tax' will be uniformly 2 per cent. The turnover of such goods sold by non-licensed retail dealers who have purchased them from other dealers who are liable to pay tax on their sales, will be subjected to a levy of 'Retailers' Turnover Tax' calculated uniformly at 25 per cent. of such turnover. (Paragraph 3.09 and Lists I, II and III).

5. Processes like the bulk blending of tea, the preparation of food stuffs other than those sold in sealed containers or bottles, ice and aerated waters, the processing of pure silk cloth, the preparation of 'pan', the colouring, boiling or roasting of betel nut and the colouring of cardamom, roasting of coffee seed, ginning and pressing of cotton, refining of oil and the decortication of ground-nut and casnew-nuts, should not be treated as a process or manufacture for the purpose of the minimum turnover limit prescribed for liability to registration. Persons who deal exclusively or almost exclusively in non-taxable goods will not be liable for registration even if their annual turnover otherwise attracts liability to registration, unless their annual turnover of sales or purchases of taxable goods exceeds Rs. 2,500. (Paragraph 3.14).

6. In any system of Sales Tax which incorporates a levy wholly or partly at the first stage, purchase tax must be provided for as a safeguard against avoidance of tax on a considerable scale. Purchase tax should be imposed in specified circumstances in respect of the purchase of goods from persons other than registered dealers. Where purchase tax is leviable on a transaction, there should be no question of the levy of any other tax on the same transaction or of any tax on the resale of the same goods by the person liable to pay the purchase tax. There should be no provision as under the Bombay Sales Tax Act of 1953 for the election to pay the tax on sale instead of purchase tax. (Paragraph 3.15).

7. A provision similar to that made in section 5-A of the Bombay Sales Tax Act of 1953 in respect of sales of goods imported by an unregistered dealer who is, however, registered under the Central Sales Tax Act of 1956, should be incorporated in the new law. (Paragraph 3.16).

8. The Bombay Sales of Intoxicants Taxation Act of 1953 should apply only to foreign liquor in the sense commonly understood, leaving medicinal preparations, whether or not capable of intoxicating, to be taxed only under the ordinary Sales Tax law. Government should before implementing the law relating to spirituous medicinal preparations publish sufficiently in advance the list of such preparations as are declared to be not capable of causing intoxication. The minimum alcohol content sufficient to bring the preparation within the category of spirituous medicinal preparations capable of causing intoxication should be clearly stated in the entry itself. The Limit of 12 per cent. by volume of alcohol has been found to be acceptable in another context as one of the criteria for judging the capacity of any preparation to cause intoxication. (Paragraph 3.22).

9. In Vidarbha districts, lubricants should cease to be dealt with under the Central Provinces and Berar Sales of Motor Spirit and Lubricants Taxation Act of 1938 and should come under the General Sales Tax law of the State. (Paragraph 3.23).

CHAPTER IV.

Exemptions from Sales Tax.

10. Schedule A to the Bombay Sales Tax Act of 1953 has been generally followed with few exceptions in drawing up the list of goods recommended for exemption. (Paragraph 4.04).

11. Products of Small-scale and cottage industries included in the Schedule to the Khadi and Village Industries Commission Act, 1956, have been included in the list of goods recommended for exemption. A place should be found for other small-scale and cottage industries in the Schedule to the Khadi and Village Industries Commission Act of 1956 or arrangements should be made for their organisation and supervision in a suitable manner, so that the benefit of exemption from Sales Tax can be extended to them. (Paragraph 4.05).

12. The benefit of exemption of sales of cooked food served at one time to one person at a cost not exceeding rupee one, irrespective of whether such food is consumed at the dealer's premises or outside, should not be enjoyed by confectioners selling sweets, sweet-meats and pastries. (Paragraph 4.07).

13. Gur cannot be put on par with food-grains and pulses. There is no reason why chillies and chilly-powder, tamarind and turmeric should enjoy exemption and so also is the case with coal gas sold to a local authority for street-lighting. (Paragraph 4.08).

14. The work done by printing presses in the execution of orders placed on them is not materially different from the work done by any other manufacturing industry. However, they may be classed with dealers other than manufacturers and importers and hence get the benefit of the higher minimum turnover limit fixed for liability to registration and to payment of tax. The price charged for materials supplied in printing, e.g., paper, cards and paste-board, may alone be charged to tax provided that it is accounted for separately. (Paragraph 4.10).

15. Ready-made clothes and other goods stitched from textile fabrics and sold at a price not exceeding Rs. 5 per article or suit may be exempted from tax. (Paragraph 4.11).

16. Articles and utensils made from *kansa* may be exempted from tax in order to give encouragement to this industry. (Paragraph 4.12).

17. It is not necessary to give to industries listed in the Schedule to the Khadi and Village Industries Commission Act of 1956 the additional facility of tax-free purchases of raw materials which would bear tax if purchased by persons to whom the Khadi and Village Industries Commission Act does not apply. (Paragraph 4.13).

18. Assistance in the form of exemption of products of Co-operative Societies from Sales Tax is uncalled for. Where but for their organisation into a Co-operative Society individual artisans or craftsmen would not have had to bear sales tax, their cases may be examined by Government for giving suitable assistance by way of exemption from sales tax or in a more direct manner. (Paragraph 4.14).

19. Classes of sales exempted or enjoying remission under rules 5, 6, 7 and 9 of Bombay Sales Tax (Exemptions, Set-off and Composition) Rules, 1954, should continue to do so. It should be made clear in regard to the benefit given under rule 9 (iv) to a charitable hospital, dispensary or clinic that such an institution should not be held to have lost its 'charitable' character if it levies nominal charges or charges for special services or recovers full charges from well-to-do persons. The purchase by such institutions of drugs and medicines should enjoy complete exemption. (Paragraph 4.15).

CHAPTER V.

Registration, Licensing, Authorisation and Recognition.

20. Dealers who are importers or 'are manufacturers, processors, etc., and have a turnover exceeding Rs. 10,000 per annum of which the value of imports or of manufactures is not less than Rs. 2,500, should be liable for registration. The minimum turnover limit in this respect for other categories of dealers should be Rs. 30,000. There should be no provision for voluntary registration or for registration on reaching a specified turnover lower than the minima prescribed for liability to tax. (Paragraph 5·04).

21. Dealers should not be made liable for registration or payment of tax (i) if their turnover is exclusively of non-taxable goods or (ii) their annual turnover of sales or purchases of taxable goods is less than Rs. 2,500 although the aggregate of such turnover together with that of non-taxable goods may exceed the minimum limit prescribed for registration or payment of tax. (Paragraph 5·05).

22. Dealers having a turnover of sales to other registered dealers exceeding Rs. 50,000 per annum, should be granted licence and be enabled to make purchases for resale free of the general sales tax. They should furnish adequate security at the time of the first grant of licence and should submit monthly returns for the first twelve months after the grant of licence but these two requirements should be kept in abeyance for the first twelve months after the introduction of the system in all the component parts of the State. (Paragraph 5·06).

23. The system of authorisation incorporated in the Bombay Sales Tax Act of 1953 should be extended to all areas of the new Bombay State. This should be done in the same manner as suggested for the system of licensing and under similar safeguards. The minimum turnover limit for the grant of authorisation should be Rs. 30,000 per annum of sales in the course of export or inter-State (but not inter-regional) trade. Registered dealers who may not be eligible for authorisation should be allowed refund or set-off of tax paid on purchases on proof of export or inter-State sales. Sales on Form N free of tax as under the Bombay Sales Tax Act of 1953 should cease. An authorised dealer may be permitted to make tax-free purchases from another authorised dealer for further sale in the course of inter-State trade or export. (Paragraph 5·07).

24. Registered dealers who are manufacturers, processors, etc. and who have a reasonably ascertainable prospect of continuing in business and are prepared to furnish adequate security in the form of surety or otherwise, may be granted recognition certificates similar to licences held under the Bombay Sales Tax of 1953 on the strength of which they may purchase free of tax their requirements of goods for the manufacture of goods for sale, except such industrial raw materials and other goods which are taxed at a concessional rate of 2 per cent. or less. (Paragraph 5·08).

25. Diversion of goods purchased for one use to another use for which also the dealer can make tax-free purchases, should be permitted provided monthly reports are made of such diversions. A composite form of certificate which can be used for the purpose of all tax-free purchases should be devised. Wilful misapplication of such goods, the burden of proving which will lie on the administration, will be liable to penalty. (Paragraph 5·09).

26. A manufacturer holding a recognition certificate should not be penalised for a *bona fide* use of the recognition certificate for making a tax-free purchase of goods required in the manufacture of goods for sale, even though such goods are not listed in his recognition certificate, provided the goods are such as could have been included in the certificate for the more asking. (Paragraph 5-10).

CHAPTER VI.

Commission Agents.

27. The law should so provide that Commission Agents may transact business on behalf of their principals on the strength of their own registration certificates. (Paragraph 6-03).

28. Commission Agents should be enabled to make purchases against their own licences and authorisation certificates on account of their non-resident principals on payment of tax at the reduced rate of 1 per cent. provided that both the Commission Agents and the non-resident principals are registered under the Central Sales Tax Act of 1956. A Commission Agent should similarly be enabled to make tax free purchases against his own licence on behalf of a resident principal who is himself the holder of a licence. (Paragraph 6-04).

29. Commission Agents should be enabled to make tax-free sales to holders of licences or of authorisation or recognition certificates. They should pay tax due on the principal's sales effected through them; their principals should show these sales in their returns but should be deemed to have discharged their liability to pay tax by producing certificates given by Commission Agents which commit them to the payment of tax or show that the sales have been made to dealers entitled to make tax-free purchases. (Paragraph 6-05).

30. Purchases made for transfer to branches outside the State should be allowed to be made in such a manner as to bear a burden of tax equal to that borne by a similar transaction in the course of inter-State trade. Should such a purchase have been made on payment of tax in full, refund should be given of the excess tax paid. If goods initially purchased free of tax are eventually transferred to a branch outside the State, the dealer's turnover liable to tax should be suitably increased so as to yield an amount of tax equal to that leviable on the sale of the goods in the course of inter-State trade. (Paragraph 6-06).

31. Sales on consignment basis through a non-resident dealer should be treated in the same manner as transfers to a branch outside the State. (Paragraph 6-07).

CHAPTER VII.

Administration of Sales Tax.

32. It is necessary to vest Government with the power of framing rules so as to impart a degree of elasticity to the law in order that situations may not be allowed so to develop, for want of immediate powers under the law, as to harm the economic and financial interests of the community. It is also difficult to define the limit beyond which delegated legislation should not proceed. (Paragraph 7-02).

33. Although the promulgation of rules without prior publication may not be altogether avoidable, it should be resorted to as rarely as possible. Adequate time should be allowed to the public for consideration of a draft rule or amendment and for making its views known to Government. All means of publicity, including the columns of newspapers, should be utilised for the purpose of

bringing the draft rules and notifications to the notice of the public. In addition to the issue of notifications so worded as to meet legal requirements, publicity should be given to the rule as it will stand after the amendment is carried out. These steps should be taken also after the finalisation of the rules or the amendments. (Paragraph 7-03).

34. All proposed rules or amendments should be referred by Government to the Sales Tax Advisory Committee. (Paragraph 7-04).

35. An appreciable number of forms prescribed under the Bombay Sales Tax Act of 1953 can be eliminated under the new system of tax, including Forms 10, 12, NA and NB; Forms J, K and L should be combined into one; the present forms which will be required in the new system can be simplified and otherwise improved. Out of the present sixty-seven forms in force, twenty-one can be deleted. (Paragraphs 7-06 to 7-16).

36. In support of the claims for set off which will arise under the new system of tax, documents complete in all respects and incorporating the specific amounts of price paid and of the sales tax charged by the vendor, should be presented by the dealers. (Paragraph 7-08).

37. The Rules should constitute one single set all of them bearing numbers in the same serial order. The forms contained in the rules should similarly bear numbers in one single serial order. (Paragraph 7-18).

38. It is not advisable to attempt new definitions of important terms used in the law which have come to acquire fairly precise connotations through departmental and judicial interpretations. The definition of 'Sale' contained in the Bombay Sales Tax Act of 1953, which does not include within the scope of sale a 'transfer of property involved in the execution of a works contract', should be followed in the new law and such non-inclusion within the scope of 'Sale' of the above class of transfers should be specifically mentioned in the definition itself. The definitions of 'sale price' and 'purchase price' should make it clear that charges made for services rendered together with materials supplied in the execution of an order, should be included in such price although such charges may be accounted for separately, as may be the case with gold ornaments and jewellery, clothes made by tailors, etc. The law should also provide that if an article can be reasonably held to fall under more than one entry in schedules of rates of tax or to fall both under one such entry and under an entry in the schedule of exempted goods, it should be taxed at the rate applicable to the lowest-taxed entry or should be exempted from tax as the case may be. (Paragraph 7-20).

39. Dealers paying the "retailers' turnover tax" may submit an annual return. Others should submit quarterly returns. Tax should in either case be paid quarterly. A period of two months may be allowed for submission of the annual return after the end of the year and of a month and a half after the end of the quarter for quarterly returns, exclusive, in either case, of any grace period that Government may give as is the present practice. The time-limit for submission of a revised return may be extended to six months. (Paragraph 7-21).

40. There is no need to suggest a departure from the present position under the law under which jurisdictions are defined and powers are delegated to subordinate officers by executive order. (Paragraph 7-22).

41. The scope of Section 27 of the Bombay Sales Tax Act of 1953 should not be extended to cover a question of interpretation which has arisen in the course of an assessment proceeding. A convention may be established of seeking the guidance of superior administrative authorities on points of disagreement arising during assessment proceedings, without such guidance being binding on the assessing officer. (Paragraph 7-23).

42. A proposal that statutory interpretations should be given even in hypothetical cases, is not justifiable and its implementation is likely to cause difficulty. Well-established organisations of trade and industry may, however, be enabled to obtain clarification of doubts. (Paragraph 7-24).

43. The scope of section 27 of the Bombay Sales Tax Act of 1953 may be extended so as to enable a dealer to obtain a ruling on the rate of tax applicable to a transaction and the amount of tax calculated at that rate. The Collector of Sales Tax should also have power to refer to the Sales Tax Tribunal a question which has come to him for determination under section 27. (Paragraph 7-25).

44. Delays in assessment should be avoided both for the dealers' and for Government's benefit and convenience. Government should be in a position to arrange for clearing all accumulated arrears of assessment in a short time and should ensure that fresh cases of assessment are completed as soon as possible after the tax-payer is in a position to produce accounts and documents for scrutiny. (Paragraph 7-26).

45. Only that number of assessees who can be dealt with in the course of a day should be called upon to appear on each day. (Paragraph 7-27).

46. All preliminary work relating to assessment that can be done in the assessee's absence should be completed in advance of his appearing before the Sales Tax Officer. The assessing officer should get acquainted with all aspects of an assessee's case and with trade practices and business trends. (Paragraph 7-28).

47. Adjournments should not be too readily given but should not be refused in genuine cases. (Paragraph 7-29).

48. Assessment cases are completed in fewer sittings than some persons would make out. None-the-less Government should make further improvement so as to leave no room for reasonable complaint. (Paragraph 7-30).

49. An opportunity should be afforded to assessees to present their cases adequately, by giving them, before the final order of assessment is passed, a written statement of the points in respect of which their accounts and documents are considered to be defective and deficient. The points made in his submission by a dealer should be fully discussed in assessment and other orders passed by Sales Tax authorities and clear reasons for their rejection or otherwise should be given. (Paragraph 7-31).

50. A copy of the assessment order should accompany the demand notice. (Paragraph 7-32).

51. It should primarily be the duty of personnel of the Sales Tax Department to set an example of courteous behaviour. (Paragraph 7-33).

52. Suitable and adequate office accommodation should be provided for Sales Tax Offices. These should be conveniently located and should provide for facilities and amenities required by assessees and their authorised agents. (Paragraph 7-34).

53. The arrears of appeal applications should be cleared by appointing more appellate officers. (Paragraph 7-35).

54. It is hoped that appellate officers will act in the spirit in which amendment was carried out in 1957 to section 30 of the Bombay Sales Tax Act of 1953 permitting them to take security against non-payment of assessed tax when admitting appeal applications without prior payment of the tax assessed or on payment of a smaller sum. (Paragraph 7-36).

55. It cannot be concluded that material denial or miscarriage of justice has taken place under the existing arrangement which places appellate officers under the administrative jurisdiction of the Head of the Sales Tax Department. Having regard to the present size of the Department, an arrangement under which a separate cadre of appellate officers will have to be created will not work satisfactorily. It should, however, be possible to separate appellate from administrative jurisdictions although it should be recognised that appellate officers should be persons of some experience and standing, and that it is with great difficulty that the Department can find suitable personnel for appointment as appellate authorities. (Paragraph 7-37).

56. An application in second appeal against the order passed in appeal by an appellate Assistant Collector of Sales Tax should lie directly to the Sales Tax Tribunal. If the dealer so chooses, he may alternatively submit a revision application to the Additional Collector or Collector from whose order no appeal to the Tribunal should lie nor should a further remedy be available by way of a statement of case to the High Court. The original orders passed by the Collector or an Additional Collector should be appealable in the usual manner to the Tribunal. (Paragraph 7-38).

57. The independence of the Sales Tax Tribunal is fully safeguarded by the absence of interference by Government with the Tribunal's decisions and by the continuance in office of the members of the Tribunal till the expiry of their term of office. The removal of the Tribunal from the jurisdiction of one Secretariat Department to another will not make a difference. (Paragraph 7-39).

58. The powers of the Collector or of an Additional Collector of Sales Tax to take up revision *suo motu* should be exercised only within a period of two years from the date of the assessment order or order passed in appeal. An appeal against such an order in revision should lie to the Tribunal. Re-opening of cases of escaped taxation should be permitted during eight years from the close of the assessment year if the escape is due to evasion and till the expiry of five years in other cases. The ordinary provisions of law and rules relating to procedure should apply to re-opening of a case by a Sales Tax Officer either on his own motion or on the orders of a superior officer. (Paragraph 7-40).

59. The rate of penal interest should be reduced to 12 per cent. per annum for the first month of default and 18 per cent. per annum for any subsequent period. Where a postponement or payment by instalment is permitted, the officer should have the discretion to reduce the rate of interest or to waive it altogether. Authorities passing orders in appeal or revision should similarly have discretion to reduce or to waive interest for the period during which an appeal or revision application has remained undisposed. (Paragraph 7-41).

60. Prosecutions are in fact launched in a very small number of cases. Cases of contravention of the provisions of the law are usually compounded on payment of agreed sums or are condoned. Prosecutions in offences not involving moral turpitude are resorted to because of lack of power to impose departmental fine. The law should specifically provide for the imposition of fine for contraventions such as late submission of returns, errors in returns not committed with intent to evade, etc. An order imposing a fine should be appealable in the ordinary manner. (Paragraph 7-42).

61. Giving of a reasonable opportunity for being heard, which is in practice afforded before an action is taken against a dealer, should be made into a statutory requirement. Every dealer should be made to feel that he is held to be free from blame till he is proved to be otherwise. No action should be initiated against a dealer without a responsible officer having been personally satisfied that a *prima facie* case exists for such action. Inspecting officers should verify during inspection whether notices to show cause are issued in a routine manner or are issued only after a responsible officer has applied his mind to the facts of each case. (Paragraph 7-43).

62. No authority issuing a notice to show cause in respect of a prosecution or the cancellation or suspension of a licence, authorisation, or recognition, should do so without being completely satisfied that the dealer's compliance with the law has not been overlooked. Stay orders of appellate and revising authorities should be communicated to the lower authority by the next working day so that no prejudicial action is taken by the lower authority pending decision on the issues. It is essential that Sales Tax authorities should, after issuing requisition to the Revenue Department for the collection of over-due tax, be prompt in withdrawing such requisitions upon the dealer paying to the Sales Tax Department the sum in default. (Paragraph 7.44).

63. Complete and up-to-date sets of publications embodying laws and rules should be brought out by Government from time to time. Government should undertake to issue publications giving information in simple language in English as well as in regional languages. The public should be kept informed about important departmental and judicial interpretations given from time to time, through Digests which should be brought out by Government periodically. In due course a Departmental Handbook useful to all should be prepared. The promulgation of any new law or of an important amendment should be preceded by adequate publicity in the form of Press Notes, pamphlets, holding of meetings of representative bodies of trade and industry, etc. The "People's Raj" and other publications of the Directorate of Publicity should be extensively utilised for the purpose of all publicity in Sales Tax matters. (Paragraph 7.45).

64. The Liaison service of the Sales Tax Department can be rendered in a systematic and more organised manner than at present and should be adequately publicised. Officers at various levels should set apart specified hours during the day for attending to queries made in person by members of the public. Visits of inspecting officers to mofussil office should be given wide publicity in order to enable dealers to avail of the opportunity of meeting them and of seeking clarifications and guidance and of getting their grievances redressed. Such officers should make it a point to meet local dealers, collectively either at the Sales Tax Office or at meetings organised by representative associations of trade and industry. Contacts should be developed in every possible way between superior officers of the Department and the mercantile community. (Paragraph 7.46.).

65. Associations of trade and industry may be approached to arrange for giving adequate publicity among their membership to the contents of departmental circular letters. To facilitate this, translations of the circular letters in the appropriate regional languages should accompany the original circular letters which are in English. Arrangements should be made for the simultaneous issue of circular letters to officers of the Department and the dissemination of the contents of those circulars in suitable form among the public. Instructions having a purely departmental bearing should be kept secret and nobody should be allowed to make unauthorised use of them for securing personal advantage. (Paragraph 7.47).

66. Government may, if it thinks fit, examine whether the scales of pay offered to recruits to the junior cadres of gazetted as well as non-gazetted staff of the Sales Tax Department are sufficiently attractive. The qualifications at present prescribed for new entrants to the cadres of Sales Tax Inspectors and Sales Tax Officer are adequate; in making selection from among candidates, greater reliance should be placed on accountancy and other special qualifications. In making promotions to these cadres, a closer assessment of the suitability of candidates should be made than is likely if only the rule of seniority is to be followed. Adequate training, to which a practical bias should be imparted, should be given to new entrants. Periodical refresher courses should be organised. The introduction in the Department of important innovations should be preceded by adequate instruction to personnel of all categories imparted by the highest available departmental authority or authorities. (Paragraph 7.48).

67. It would be of use to the mercantile community if Government could set up regular instructional courses on Sales Tax matters for accountants and other staff employed by dealers. It should also be considered whether the subject of Sales Tax cannot be included in courses of study on commercial and legal subjects. (Paragraph 7-49).

68. In the Act and the Rules provision should be made to place Chartered Accountants on a par with the legal practitioners as regards representation in Sales Tax matters. Chartered Accountants can make a useful contribution in statutory proceedings under the Sales Tax laws by way of verification and certification of figures submitted by dealers. The Sales Tax Department should examine the feasibility of utilising the services of Chartered Accountants to as large an extent as possible. The method and manner in which this should be done may be left to be decided in mutual consultation between the profession and the Department (Paragraph 7-50).

69. The possession of adequate knowledge of Sales Tax laws and of commercial accounts is the only satisfactory basis on which a person who has not acquired a specialised accountancy or legal qualification may be permitted to practise in Sales Tax matters. A deficiency in these respects tends to be made up by the development of an aptitude for obtaining undue favours from those in authority. An examination may be held under the auspices of the Bombay Public Service Commission, consisting of a written test on the two subjects of Sales Tax law and commercial accounts and a *viva voce* test and those who fail to pass the examination may be struck off the list of Sales Tax Practitioners. (Paragraph 7-51).

70. The Head of the Sales Tax Department should have the rank of a Commissioner of a Division and should have the designation of Commissioner of Sales Tax. Other officers of the Department should be suitably re-designated accordingly. (Paragraph 7-52).

CHAPTER VIII.

Evasion and Corruption.

71. The extent of evasion or of corruption cannot be estimated accurately. (Paragraph 8-01).

72. The removal of certain anomalies in the Central Sales Tax Act of 1956 and the levy by all States of a uniform rate of tax on special goods, will largely eliminate the cause of diversion of trade from one State to another and avoidance of part of the tax. Further action in this direction consists in securing greater precision and clarity in the wording of the entries in Schedules of exemption and of rates of tax, not only in the matter of legal phraseology but also from the practical points of view of trade and administration. (Paragraph 8-02).

73. Sales Tax is evaded in order to benefit from non-payment of the tax due or from increase in business brought about by charging a lower price. Transactions of sale or purchases are sometimes suppressed as a measure of insurance against unforeseen liability to tax coming to knowledge for the first time as a result of assessment or in order to avoid the cost of compliance with administrative requirements. It is often the indirect result of evasion of Income-tax or of avoiding disclosure of trading activities in smuggled goods. (Paragraph 8-03).

74. Sales Tax is evaded by means of omission to report taxable turnover, fraudulent changes in account books, maintenance of multiple sets of account books, opening of accounts under assumed names, transacting business in the name of dummies and concealing the true character of transactions (Paragraph 8-04).

75. Evasion takes place both with and without the collusion of personnel of the Sales Tax Department. A corrupt official may subject a dealer to harassment in different ways to extort money from him. (Paragraph 8-05).

76. Exemption of a large number of goods, the facility of making tax-free purchases of goods and wide variation in rates of tax, offer scope for evasion. (Paragraph 8-06).

77. As a measure of safeguards against evasion, dealers should be supplied by Government with forms of certificates used in making purchases free of tax or at concessional rates of tax, which should be printed under security conditions on specially water-marked paper. A sufficient stock of such forms should be built before the system is introduced and a good reserve of such forms should always be maintained. The highest priority should be given to requests for the fresh issue of such forms. A most careful examination of the subsequent disposal of goods bought free of tax should be made and provisions of the present law imposing penalty for giving a false certificate and for misapplication of goods bought on certificates should be incorporated in the new system. (Paragraph 8-07).

78. A systematic watch is kept on the entry of goods into the State and the movement of goods inside the State except where such entry or movement is effected by means of road transport. For carrying out a check on the movement of goods by road, Government should examine the scope for prescribing the maintenance of suitable records by road transport operators and for the inspection of such records. (Paragraph 8-08).

79. There is scope for widening the scope of the system of occasional cross-verification which is already in force. Concerted action should be taken in this direction by different States in regard to inter-State transactions. (Paragraph 8-09).

80. The enforcement of prompt payment of tax which has become due is a step in the right direction; its tempo should be maintained and even increased. Prosecution or even the threat of prosecution is not an appropriate measure in dealing with default in payment of tax. The Department should be given power under the law to impose fine so that it may not have to take recourse to prosecution in cases of default except in the last resort. (Paragraph 8-10)

81. The purpose of the officers of the Enforcement Branch visiting a dealer's premises will be defeated if persons belonging to the same trade were asked to accompany the officers as has been suggested by some persons, since this may cause delay and a disclosure of the impending visit. It may also give rise to undue publicity and commotion which should be avoided. Visits to dealers' premises should be paid rarely and only after an Additional Collector, where one is posted, or an Assistant Collector, has been personally satisfied that reasonable grounds exist for suspicion of evasion of substantial amounts of tax or of a systematic and widespread attempt at evasion. Should a visit have to be paid, subject to ensuring that the visit or seizure of books does not cause any harassment or does not damage the dealer's reputation, all that may be necessary to enforce payment of tax should be done. If nothing incriminating is found as a result of a visit, the Collector should write a letter to the dealer to that effect and permit him to publish the letter if the dealer thinks fit. (Paragraph 8-12).

82. Considerable though unavoidable delays occur in returning seized books. Books should be returned as soon as the Department has done with them. Care should be taken to see that there is no inordinate delay in conducting and completing an enquiry. (Paragraph 8-13).

83. Permission to take copies or extracts of seized books and documents should not be withheld by the local head of the Enforcement Branch for more than a month except with the permission of the Collector of Sales Tax who may allow further time up to two months for completion of the investigation. (Paragraph 8-14).

84. On a dealer appearing before a Sales Tax Officer, the latter should make a preliminary study of the dealer's case before entrusting it to an Inspector for detailed scrutiny on lines indicated by himself. The assessee should in all matters have as direct an access to the Sales Tax Officer as possible and should not be routed through the Inspector. Such portions of the contents of the note drawn up by the Inspector as are in the Sales Tax Officer's opinion likely to affect the assessment, should be made known to the assessee in a suitable manner. The impression that the Inspector of Sales Tax is the virtual master of the situation should be removed. (Paragraph 8-15).

85. It should be publicised that no Inspector can pay a visit to a dealer's premises without being authorised in writing. The exact purpose for which the Inspector is authorised to pay a visit should be specified in detail in the written authority given to him. (Paragraph 8-16).

86. Dealers who are prepared to point out cases of corruption should be taken into confidence by superior officers of the Department and should be given protection against possible victimisation. (Paragraph 8-17).

CHAPTER IX.

Miscellaneous Recommendations.

87. A Sales Tax Advisory Committee should be appointed to advise Government on administrative policy. Draft rules and amendments to rules should be placed before this Committee and legal interpretation may also be considered by this Committee. Persons representing trade and industry of different regions and the Legal and the Accountancy professions should, among others, be appointed to be members of the Committee. The Minister for Finance should be the Chairman of the Committee. It should meet at suitable intervals so as to deal adequately with the problems coming before it. (Paragraph 9-02).

88. A Divisional Committee should be constituted for every Division with composition similar to that of the State Level Committee, with the Additional Collector of Sales Tax as the Chairman, to deal with Local administrative matters and grievances. The Collector of Sale Tax should arrange his inspection tours in such a manner as to preside at one or more meetings of each Divisional Committee in the course of the year. (Paragraph 9-03).

89. Commodity-wise statistics relating to trade and industry should be compiled and published by a suitable agency other than the Sales Tax Department. Statements rendered for this purpose should be verified by resort to sample surveys and dealers should not be called upon to attend office to substantiate their statements. They should also be assured that the information obtained in this way will not be utilised for proceedings under the Sales Tax Laws. Government may have to take power by special legislation to require the furnishing of information. The assistance of representative bodies of trade and industry should be sought for securing the co-operation of the mercantile community. The Statistical Branch of the Collector's office should be strengthened to form a nucleus for research on Sales Tax matters. Pending the organisation of a separate agency for compiling statistics, this Branch should commence compilation of statistics of Sales Tax receipts according to groups of commodities and should publish them. (Paragraph 9-04).

90. Carrying out the work of assessment at the premises of dealers or of their associations is not desirable. (Paragraph 9-05).

91. The Submission of a combined Sales Tax return under the State Sales Tax law and the Central Sales Tax Act will give no special advantage. (Paragraph 9-06).

92. The completion of investigation as well as of assessment by the same officer is not likely to be prejudicial to assessment as suggested by some persons. (Paragraph 9:07).

93. Transfers of officers at short notice should not ordinarily take place. (Paragraph 9:08).

94. Refunds arising from orders of appellate or revising authorities, should be given with the least possible delay after the orders are passed. (Paragraph 9:09).

95. The books of accounts, records and other particulars required from a dealer should be specified in the notice calling for the production of accounts and documents. Where disclosure of the line of investigation may involve risk, the exact information required from a dealer's accounts and documents should be put down in writing beforehand in the case records without being revealed to the dealer, so that the inspecting officer may examine whether it was necessary to call the dealer. (Paragraph 9:10).

96. No general standards can be laid down as regards the proportion of the charge made by a residential hotel which is attributable to the price of food and drinks. Associations of hotels may hold discussions with Sales Tax authorities having local jurisdiction to arrive at a formula applicable to hotels in a local area. Wherever the number of catering establishments would justify it, special Sales Tax circles may be created to deal exclusively with such establishments. (Paragraph 9:11).

97. The selection of the member of the Tribunal who is appointed for his accountancy qualifications, need not be restricted to only practising members of the Accountancy profession. The retiring age of a member of the Tribunal should be the same as that of a judge of the Supreme Court. (Paragraph 9:12).

98. The practice of issuing bills and cash memo. by dealers should be fostered. Difficulties felt by small dealers will be removed if the requirement of compulsory issue of bills and cash memo. is applied only to transactions between registered dealers and, where the customer is not a registered dealer, to sales of the value of more than Rs. 3 effected by a dealer having a turnover exceeding Rs. 60,000 per annum. (Paragraph 9:13).

99. An employee of the Sales Tax Department who has been dismissed or removed from service should not be allowed to appear in Sales Tax proceedings. An employee of the Department who has resigned from service should not be allowed to do so without the permission of the Collector of Sales Tax. The Collector's orders refusing such permission should be appealable in the ordinary manner. (Paragraph 9:14).